

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Luce County	County Luce
Fiscal Year End December 31, 2006	Opinion Date May 17, 2007	Date Audit Report Submitted to State June 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

**COUNTY OF LUCE, MICHIGAN**

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**BASIC FINANCIAL STATEMENTS**

December 31, 2006

**LUCE COUNTY, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON	TERRY STARK
VICE CHAIR PERSON	PHYLLIS FRENCH
COMMISSIONER	DENNIS ROBINSON
COMMISSIONER	RICHARD PRICE
COMMISSIONER	NANCY MORRISON

**ELECTED OFFICIALS**

COUNTY TREASURER	DEBORAH JOHNSON
COUNTY CLERK	KATHY MAHAR

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Helen Newberry Joy Hospital which represents 55% and 65% of the assets and revenues of the Discretely Presented Component Units for the County of Luce, Michigan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it related to the amounts recorded for the Helen Newberry Joy Hospital is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of the year ended December 31, 2006, and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007 on our consideration of the County of Luce's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Luce, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Luce. The accompanying schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

May 17, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

**The County as a Whole**

Luce County is the 14<sup>th</sup> largest county in Michigan in total acreage but 2<sup>nd</sup> to the last in taxable value due to the fact that well over 50% of the land is State owned, Commercial Forest property, or tax exempt. The County still has to provide law enforcement and rescue services to the entire county which presents quite a challenge to the Board of Commissioners.

The 2006 General Fund revenues increased by about \$54,378 from 2005 mainly due to an increase in property taxes, interest earned, large criminal bond forfeiture, and a transfer from obligated debt due to over collection of the hospital bond.

In a condensed format, the table below shows the net assets of Luce County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 3,524,432	\$ 3,907,378	\$ 686,916	\$ 563,737	\$ 4,211,348	\$ 4,471,115
Noncurrent Assets	3,336,779	3,259,643	-	-	3,336,779	3,259,643
Total Assets	<u>\$ 6,861,211</u>	<u>\$ 7,167,021</u>	<u>\$ 686,916</u>	<u>\$ 563,737</u>	<u>\$ 7,548,127</u>	<u>\$ 7,730,758</u>
Current Liabilities	\$ 746,537	\$ 1,747,893	\$ 304,527	\$ 180,922	\$ 1,051,064	\$ 1,928,815
Noncurrent Liabilities	541,806	681,409	-	-	541,806	681,409
Total Liabilities	<u>1,288,343</u>	<u>2,429,302</u>	<u>304,527</u>	<u>180,922</u>	<u>1,592,870</u>	<u>2,610,224</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	2,749,646	2,348,704	-	-	2,749,646	2,348,704
Restricted for Debt	484,898	592,309	-	-	484,898	592,309
Restricted for						
Revenue Sharing	515,445	359,954	-	-	515,445	359,954
Unrestricted	<u>1,822,879</u>	<u>1,436,752</u>	<u>382,389</u>	<u>382,815</u>	<u>2,205,268</u>	<u>1,819,567</u>
Total Net Assets	<u>\$ 5,572,868</u>	<u>\$ 4,737,719</u>	<u>\$ 382,389</u>	<u>\$ 382,815</u>	<u>\$ 5,955,257</u>	<u>\$ 5,120,534</u>

The current level of unrestricted net assets for our governmental activities stands at \$1,822,879 or about 55% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 18%. Net Assets of the business – type activities decreased approximately .1%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	\$ 787,153	\$ 780,405	\$ 115,883	\$ 119,986	\$ 903,036	\$ 900,391
Operating Grants and Contributions	652,898	666,972	8,554	910	661,452	667,882
Capital Grants and Contributions	235,000	455,974	-	-	235,000	455,974
General Revenues						
Property Taxes	2,246,367	2,160,430	-	-	2,246,367	2,160,430
Other	33,335	56,636	5,497	28,781	38,832	85,417
Unrestricted Investment Earnings	122,228	61,381	13,317	6,326	135,545	67,707
Transfers	61,896	32,066	(61,896)	(32,066)	-	-
Total Revenues	<u>4,138,877</u>	<u>4,213,864</u>	<u>81,355</u>	<u>123,937</u>	<u>4,220,232</u>	<u>4,337,801</u>
Program Expenses						
Legislative	55,212	58,128	-	-	55,212	58,128
Judicial	531,088	511,190	-	-	531,088	511,190
General Government	664,072	727,091	-	-	664,072	727,091
Public Safety	661,519	642,567	-	-	661,519	642,567
Public Works	284,583	304,976	-	-	284,583	304,976
Health and Welfare	478,363	304,729	-	-	478,363	304,729
Community Economic Development	69,237	79,010	-	-	69,237	79,010
Recreation and Culture	231,792	132,344	-	-	231,792	132,344
Other Expenses	327,862	434,606	-	-	327,862	434,606
Tax Collection	-	-	21,829	16,442	21,829	16,442
Other	-	-	59,952	85,464	59,952	85,464
Total Expenses	<u>3,303,728</u>	<u>3,194,641</u>	<u>81,781</u>	<u>101,906</u>	<u>3,385,509</u>	<u>3,296,547</u>
Changes in Net Assets	835,149	1,019,223	(426)	22,031	834,723	1,041,254
Beginning Net Assets	<u>4,737,719</u>	<u>3,718,496</u>	<u>382,815</u>	<u>360,784</u>	<u>5,120,534</u>	<u>4,079,280</u>
Ending Net Assets	<u>\$ 5,572,868</u>	<u>\$ 4,737,719</u>	<u>\$ 382,389</u>	<u>\$ 382,815</u>	<u>\$ 5,955,257</u>	<u>\$ 5,120,534</u>

**Governmental Activities**

Revenue from property taxes increased 4% from the previous year gaining, \$85,937. Average gain from property taxes over the previous five years was \$189,041 per year.

**Business-Type Activities**

The County business-type activities are multi-faceted. They range from Tax Collection, Building Department, Abstract, and Fair Board. The Tax Collection funds significantly support the General and Special Revenue Funds.

**The County's Funds**

Our analysis of the County's major funds begins on page 9 following the entity wide financial statements. The individual fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2006 include the General Fund, Revenue Sharing Reserve, Ambulance, Hospital Bond Debt Service, Airport, 2005 Delinquent Tax Fund, and the Tax Revolving Reserve Fund.

The General Fund supports most of the County's governmental services. The costliest are the police, court, and law enforcement functions. The Tax Revolving Reserve Fund is supported by interest and fees from the collection of taxes.

Component Units of the County include: Luce County Road Commission, Luce-Mackinac-Alger-Schoolcraft (LMAS) District Health Department, Luce County Housing Commission, Luce County Economic Development Corporation, and Helen Newberry Joy Hospital. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Separately issued reports can be obtained from each component unit's office as stated in Note 1.

**General Fund Budgetary Highlights**

Prior to the beginning of any year, the Board of Commissioner's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, the Board reviews and authorizes large expenditures when requested throughout the year.

Major changes to the original revenue budget were due to an increase in interest earned, large criminal bond forfeiture, and a transfer from obligated debt due to over collection on the hospital bond.

Major increases to the original expense budget were due to election expenses, increase in heating costs, and carpeting of a building.

**Other Funds**

New funds added in 2006 were Fund 262 Youth Alcohol Enforcement Grant and Fund 263 Fingerprint System Fund for Sheriff Department and Fund 296 Drug Court for District Court.

Funds deleted in 2006 were Fund 284 Brownfield Site Plan Grant, Fund DTR 624 for 2001 taxes, and Fund 726 Employees Compensation Fund.

**Capital Asset and Debt Administration**

During 2006, the County shows investments of \$3,336,779 in capital assets that met the dollar threshold of the reporting requirement. Purchases made in 2006 included a snowmobile and fingerprint system for the Sheriff Department, a vehicle and defibrillator/monitor for the Ambulance Department, new carpeting for the entire building and phase II of airport fence. The land where the old Annex had been, some land at the Industrial Park, and an ATV from the Sheriff Department were sold during the year.

The County reduced its bond debt load by \$590,648 in principal payments in 2006, ending with a debt balance of \$794,224. \$308,497 was for payments on delinquent taxes with the balance being put toward bonds for the DPW Sewer, Parks and Recreation, General Obligation Bonds and Capital Development Bonds. The County made the final payment on the hospital bonds.

**Economic Factors and Next Year's Budgets and Rates**

The County is in a budget battle from year to year. The cap on the growth rate under the Headlee Amendment, the voters reluctance to adjust or augment taxes for general operation, and the corresponding double digit growth rates in health and liability insurance have put significant limitations on budget flexibility. There are looming indications from the State that further cuts will occur in other State funded areas. This could put increased pressure on already tight budget projections. We are pleased to end the current year with healthy fund balances in all major funds, but are realistic in projecting revenue from fines and fees for current and future budgets in order that revenue expectations and corresponding expenses are not inflated.

The local economy is heavily dependent on the Newberry Correctional Facility which employs 340 workers in Luce County. If the facility was to close it would have a tremendous negative impact on the local economy.

**Component Unit**

A complete financial statement and management's discussion and analysis may be obtained from the LMAS District Health Department and Luce County Housing Commission.

**Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Clerk's Office at (906) 293-5521.

## **Basic Financial Statements**

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# County of Luce, Michigan

## Statement of Net Assets December 31, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
<b>ASSETS:</b>				
Current Assets:				
Cash & Investments - Unrestricted	\$ 1,688,419	\$ 393,677	\$ 2,082,096	\$ 5,421,778
- Restricted	432,668	-	432,668	915,681
Receivables:				
Accounts	336,054	-	336,054	4,608,090
Taxes	878,152	266,001	1,144,153	-
Interest	-	33,764	33,764	-
Loans	-	-	-	1,412,326
Internal Loans	6,526	(6,526)	-	-
Due from Governmental Units	154,829	-	154,829	397,334
Inventories	14,056	-	14,056	737,221
Prepaid Expenses	13,728	-	13,728	532,389
Other Assets	-	-	-	124,850
Non-Current Assets:				
Capital Assets Not Depreciated	1,573,942	-	1,573,942	156,891
Capital Assets (Net of Accumulated Depreciation)	1,762,837	-	1,762,837	16,239,579
<b>TOTAL ASSETS</b>	<b>\$ 6,861,211</b>	<b>\$ 686,916</b>	<b>\$ 7,548,127</b>	<b>\$ 30,546,139</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 105,366	\$ 164	\$ 105,530	\$ 636,011
Accrued Liabilities	41,162	496	41,658	1,474,694
Accrued Interest Payable	10,074	-	10,074	-
Due to Governmental Units	-	-	-	58,451
Deferred Revenue	466,121	-	466,121	65,204
Other Liabilities	387	57,198	57,585	110,255
Notes Payable	7,509	246,669	254,178	267,251
Bonds Payable	91,000	-	91,000	401,358
Capital Leases Payable	24,918	-	24,918	-
Non-Current Liabilities:				
Advances	-	-	-	145,756
Notes Payable	32,046	-	32,046	611,265
Bonds Payable	417,000	-	417,000	4,834,882
Capital Leases Payable	14,660	-	14,660	-
Compensated Absences	78,100	-	78,100	491,053
<b>TOTAL LIABILITIES</b>	<b>1,288,343</b>	<b>304,527</b>	<b>1,592,870</b>	<b>9,096,180</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	2,749,646	-	2,749,646	10,533,743
Restricted for County Road	-	-	-	888,735
Restricted for Debt Service	484,898	-	484,898	-
Restricted for Revenue Sharing	515,445	-	515,445	-
Restricted by Donors	-	-	-	106,613
Unrestricted	1,822,879	382,389	2,205,268	9,920,868
<b>TOTAL NET ASSETS</b>	<b>\$ 5,572,868</b>	<b>\$ 382,389</b>	<b>\$ 5,955,257</b>	<b>\$ 21,449,959</b>

See accompanying notes to financial statements.

# County of Luce, Michigan

## Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 55,212	\$ -	\$ -	\$ -	\$ (55,212)	\$ -	\$ (55,212)	\$ -
Judicial	531,088	179,762	239,076	-	(112,250)	-	(112,250)	-
General Government	664,072	100,441	16,880	-	(546,751)	-	(546,751)	-
Public Safety	661,519	121,108	243,729	-	(296,682)	-	(296,682)	-
Public Works	284,583	62,236	72,927	235,000	85,580	-	85,580	-
Health & Welfare	478,363	245,196	2,004	-	(231,163)	-	(231,163)	-
Community/Economic Development	69,237	9,596	67,912	-	8,271	-	8,271	-
Recreation and Culture	231,792	68,814	10,370	-	(152,608)	-	(152,608)	-
Other	327,862	-	-	-	(327,862)	-	(327,862)	-
Total Governmental Activities	3,303,728	787,153	652,898	235,000	(1,628,677)	-	(1,628,677)	-
<b>Business-type activities:</b>								
Tax Collection	21,829	75,125	-	-	-	53,296	53,296	-
Other	59,952	40,758	8,554	-	-	(10,640)	(10,640)	-
Total Business-type Activities	81,781	115,883	8,554	-	-	42,656	42,656	-
Total Primary Government	\$ 3,385,509	\$ 903,036	\$ 661,452	\$ 235,000	(1,628,677)	42,656	(1,586,021)	-
<b>Component Units:</b>								
Road Commission	\$ 3,023,225	\$ 758,769	\$ 2,888,152	\$ -				623,696
LMAS District Health Department	6,623,422	4,390,555	2,096,386	-				(136,481)
Economic Development	489,734	279,645	-	-				(210,089)
Housing Commission	623,763	117,028	493,209	-				(13,526)
Helen Newberry Joy Hospital	24,033,237	23,406,574	-	-				(626,663)
Total Component Units	34,793,381	28,952,571	5,477,747	-				(363,063)
Total	\$ 38,178,890	\$ 29,855,607	\$ 6,139,199	\$ 235,000				
<b>General Revenues:</b>								
Taxes					2,246,367	-	2,246,367	-
Local Sources and Other					55,738	5,497	61,235	1,318,253
Investment Earnings (Loss)					122,228	13,317	135,545	167,806
Gain (Loss) on Equipment Disposal					(22,403)	-	(22,403)	41,400
Transfers					61,896	(61,896)	-	-
<b>Total General Revenues and Transfers</b>					2,463,826	(43,082)	2,420,744	1,527,459
Changes in Net Assets					835,149	(426)	834,723	1,164,396
Net Assets - Beginning					4,737,719	382,815	5,120,534	20,285,563
<b>Net Assets - Ending</b>					\$ 5,572,868	\$ 382,389	\$ 5,955,257	\$ 21,449,959

See accompanying notes to financial statements.

# County of Luce, Michigan

## Balance Sheet Governmental Funds December 31, 2006

	General	Ambulance	Revenue Sharing Reserve	Airport	Hospital Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash & Investments - Unrestricted	\$ 390,396	\$ 427,979	\$ 195,871	\$ 28,101	\$ 200,000	\$ 446,072	\$ 1,688,419
- Restricted	-	-	-	-	432,668	-	432,668
Receivables:							
Accounts	-	308,889	-	531	-	26,634	336,054
Taxes	167,894	147,759	271,250	75,997	-	215,252	878,152
Due from Other Funds	144,814	-	164,083	-	-	2,599	311,496
Due from Governmental Units	54,503	-	-	-	-	100,326	154,829
Inventories	-	-	-	14,056	-	-	14,056
Prepaid Expenses	13,728	-	-	-	-	-	13,728
<b>TOTAL ASSETS</b>	<b>\$ 771,335</b>	<b>\$ 884,627</b>	<b>\$ 631,204</b>	<b>\$ 118,685</b>	<b>\$ 632,668</b>	<b>\$ 790,883</b>	<b>\$ 3,829,402</b>
<b>LIABILITIES:</b>							
Due to Other Funds	\$ -	\$ -	\$ 115,759	\$ -	\$ 147,770	\$ 41,441	\$ 304,970
Accounts Payable	34,428	6,967	-	16,207	-	47,764	105,366
Accrued Liabilities	28,998	5,435	-	914	-	5,815	41,162
Other Liabilities	-	-	-	387	-	-	387
Deferred Revenue	27,113	147,759	-	75,997	-	215,252	466,121
<b>TOTAL LIABILITIES</b>	<b>90,539</b>	<b>160,161</b>	<b>115,759</b>	<b>93,505</b>	<b>147,770</b>	<b>310,272</b>	<b>918,006</b>
<b>FUND BALANCES:</b>							
Reserved	-	-	515,445	-	484,898	-	1,000,343
Unreserved							
Designated for Special Purposes	-	-	-	-	-	23,736	23,736
Undesignated	680,796	724,466	-	25,180	-	456,875	1,887,317
<b>TOTAL FUND BALANCES</b>	<b>680,796</b>	<b>724,466</b>	<b>515,445</b>	<b>25,180</b>	<b>484,898</b>	<b>480,611</b>	<b>2,911,396</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 771,335</b>	<b>\$ 884,627</b>	<b>\$ 631,204</b>	<b>\$ 118,685</b>	<b>\$ 632,668</b>	<b>\$ 790,883</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	3,336,779
Long-term notes & leases payable for governmental activities	(587,133)
Compensated absences liability	(78,100)
Accrued interest payable	(10,074)
<b>Net assets of governmental activities</b>	<b>\$ 5,572,868</b>



# County of Luce, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2006

	General	Ambulance	Revenue Sharing Reserve	Airport	Hospital Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 1,202,700	\$ 157,795	\$ 271,250	\$ 76,475	\$ 321,552	\$ 216,595	\$ 2,246,367
Licenses & Permits	11,014	-	-	-	-	1,114	12,128
Federal Sources	111,909	-	-	188,000	-	130,526	430,435
State Sources	105,773	-	-	41,125	-	286,801	433,699
Local Sources	20,244	-	-	5,875	-	53,383	79,502
Charges for Services	250,286	240,199	-	53,622	-	155,310	699,417
Interest & Rentals	54,437	14,202	-	3,060	31,920	21,909	125,528
Fines and Forfeitures	15,454	-	-	-	-	2,000	17,454
Other Revenue	15,838	1,551	-	7,714	-	29,751	54,854
<b>TOTAL REVENUES</b>	<b>1,787,655</b>	<b>413,747</b>	<b>271,250</b>	<b>375,871</b>	<b>353,472</b>	<b>897,389</b>	<b>4,099,384</b>
<b>EXPENDITURES:</b>							
Legislative	55,212	-	-	-	-	-	55,212
Judicial	512,506	-	-	-	-	22,814	535,320
General Government	678,783	-	-	-	-	11,757	690,540
Public Safety	382,167	-	-	-	-	299,483	681,650
Public Works	-	-	-	128,964	-	58,527	187,491
Health & Welfare	11,503	293,584	-	-	-	116,496	421,583
Community/Economic Development	-	-	-	-	-	67,926	67,926
Recreation & Cultural	-	-	-	-	-	208,800	208,800
Capital Outlay	-	-	-	235,000	-	29,258	264,258
Debt Service	-	-	-	-	200,190	120,884	321,074
Other Expenditures	191,164	-	-	-	107,440	-	298,604
<b>TOTAL EXPENDITURES</b>	<b>1,831,335</b>	<b>293,584</b>	<b>-</b>	<b>363,964</b>	<b>307,630</b>	<b>935,945</b>	<b>3,732,458</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(43,680)</b>	<b>120,163</b>	<b>271,250</b>	<b>11,907</b>	<b>45,842</b>	<b>(38,556)</b>	<b>366,926</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	353,012	-	-	10,863	-	211,811	575,686
Operating Transfers Out	(139,648)	(64,901)	(115,759)	(5,000)	(153,253)	(35,229)	(513,790)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>169,684</b>	<b>55,262</b>	<b>155,491</b>	<b>17,770</b>	<b>(107,411)</b>	<b>138,026</b>	<b>428,822</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>511,112</b>	<b>669,204</b>	<b>359,954</b>	<b>7,410</b>	<b>592,309</b>	<b>342,585</b>	<b>2,482,574</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 680,796</b>	<b>\$ 724,466</b>	<b>\$ 515,445</b>	<b>\$ 25,180</b>	<b>\$ 484,898</b>	<b>\$ 480,611</b>	<b>\$ 2,911,396</b>

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**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2006**

Net Changes in fund balances - total governmental funds \$ 428,822

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$328,357 exceeded depreciation (\$228,818) and loss on disposal (\$22,403) in the current period. 77,136

Governmental funds report repayment of principal as an expenditure in the governmental funds, but it reduces the liability in the statement of net assets.

Principal repayments:	
Bonds & Notes Payable	282,151
Capital Leases	24,811

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated Absences	15,459
Accrued Interest Expense	6,770
	<hr/>
Changes in net assets of governmental activities	<u><u>\$ 835,149</u></u>

Statement of Net Assets  
Proprietary Funds  
December 31, 2006

	Enterprise Funds			
	2005 Tax Revolving	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>ASSETS:</b>				
Cash & Investments	\$ 75,396	\$ 174,740	\$ 143,541	\$ 393,677
Taxes Receivable	235,882	-	30,119	266,001
Accrued Interest Receivable	23,723	-	10,041	33,764
<b>TOTAL ASSETS</b>	<b>\$ 335,001</b>	<b>\$ 174,740</b>	<b>\$ 183,701</b>	<b>\$ 693,442</b>
<b>LIABILITIES:</b>				
Due to Other Governmental Units	\$ 57,198	\$ -	\$ -	\$ 57,198
Due to Other Funds	-	-	6,526	6,526
Accounts Payable	-	-	164	164
Accrued Liabilities	-	159	337	496
Notes Payable	246,669	-	-	246,669
<b>TOTAL LIABILITIES</b>	<b>303,867</b>	<b>159</b>	<b>7,027</b>	<b>311,053</b>
<b>NET ASSETS:</b>				
Unrestricted	31,134	174,581	176,674	382,389
<b>TOTAL NET ASSETS</b>	<b>\$ 31,134</b>	<b>\$ 174,581</b>	<b>\$ 176,674</b>	<b>\$ 382,389</b>

**Statement of Revenues, Expenses, and  
Changes in Net Assets - Proprietary Funds  
For the Year Ended December 31, 2006**

	Enterprise Funds			
	2005 Tax Revolving	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 11,475	\$ 776	\$ 52,211	\$ 64,462
State Sources	-	-	8,554	8,554
Interest & Rentals	34,785	1,074	15,562	51,421
Other Revenue	-	-	5,497	5,497
Total Operating Revenues	46,260	1,850	81,824	129,934
<b>OPERATING EXPENSES:</b>				
Personal Services	-	-	39,071	39,071
Utilities	-	-	1,057	1,057
Repair & Maintenance	-	-	9,274	9,274
Other Supplies & Expenses	6,578	486	12,038	19,102
Total Operating Expenses	6,578	486	61,440	68,504
<b>OPERATING INCOME (LOSS)</b>	39,682	1,364	20,384	61,430
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest on Deposits	2,264	6,902	4,151	13,317
Interest Expense	(10,812)	-	(2,465)	(13,277)
Total Non-operating Revenues (Expenses)	(8,548)	6,902	1,686	40
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	31,134	8,266	22,070	61,470
Operating Transfers In	-	57,665	681	58,346
Operating Transfers Out	-	(62,577)	(57,665)	(120,242)
<b>CHANGES IN NET ASSETS</b>	31,134	3,354	(34,914)	(426)
NET ASSETS, JANUARY 1	-	171,227	211,588	382,815
<b>NET ASSETS, DECEMBER 31</b>	\$ 31,134	\$ 174,581	\$ 176,674	\$ 382,389

# County of Luce, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2006

	Enterprise Funds			
	2005 Tax Revolving	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 269,501	\$ 11,961	\$ 259,069	\$ 540,531
Payments to Suppliers	(432,226)	(447)	(19,754)	(452,427)
Payments to Employees	-	-	(39,040)	(39,040)
Internal Activity - Payments to Other Funds	-	-	(229)	(229)
Net Cash Provided (Used) by Operating Activities	(162,725)	11,514	200,046	48,835
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Notes	375,000	-	-	375,000
Principal Payments	(128,331)	-	(180,166)	(308,497)
Interest Expense	(10,812)	-	(2,465)	(13,277)
Net Cash Provided (Used) by Capital and Related Financing Activities	235,857	-	(182,631)	53,226
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating Transfers In	-	57,665	681	58,346
Operating Transfers Out	-	(62,577)	(57,665)	(120,242)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	-	(4,912)	(56,984)	(61,896)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Income	2,264	6,902	4,151	13,317
Net Cash Provided (Used) by Investing Activities	2,264	6,902	4,151	13,317
Net Increase (Decrease) in Cash and Cash Equivalents	75,396	13,504	(35,418)	53,482
Balances - Beginning of the Year	-	161,236	178,959	340,195
Balances - End of the Year	\$ 75,396	\$ 174,740	\$ 143,541	\$ 393,677
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 39,682	\$ 1,364	\$ 20,384	\$ 61,430
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Taxes Receivable	(235,882)	6,451	161,133	(68,298)
Accrued Interest Receivable	(23,723)	3,660	16,112	(3,951)
Accounts Payable	-	-	127	127
Accrued Liabilities	-	39	(262)	(223)
Due to Other Governmental Units	57,198	-	2,552	59,750
Net Cash Provided (Used) by Operating Activities	\$ (162,725)	\$ 11,514	\$ 200,046	\$ 48,835
See accompanying notes to financial statements.				

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**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2006**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Investments - Unrestricted	\$ 744,157
Receivables:	
Accounts	29,149
Due from Other Governmental Units	<u>17,568</u>
 TOTAL ASSETS	 <u><u>\$ 790,874</u></u>
 <b>LIABILITIES:</b>	
Accounts Payable	\$ 145
Due to Other Governmental Units	254,453
Accrued Liabilities	1,646
Undistributed Tax Collections	501,222
Undistributed Receipts	<u>33,408</u>
 TOTAL LIABILITIES	 <u><u>\$ 790,874</u></u>

## **Component Unit Financial Statements**

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# County of Luce, Michigan

## Statement of Net Assets Component Units December 31, 2006

	Road Commission	LMAS Dist. Health Dept.	Economic Development Corporation	Housing Commission	Helen Newberry Joy Hospital	Totals
<b>ASSETS:</b>						
Current Assets:						
Cash & Investments - Unrestricted	\$ 736,935	\$ 187,138	\$ 624,588	\$ 1,301,566	\$ 2,571,551	\$ 5,421,778
- Restricted	-	-	-	-	915,681	915,681
Receivables:						
Accounts	342,305	1,298,480	-	4,746	2,962,559	4,608,090
Loans	-	-	1,412,326	-	-	1,412,326
Due from Other Governmental Units	-	397,334	-	-	-	397,334
Inventory	264,839	-	-	735	471,647	737,221
Prepaid Expense	93,691	5,337	-	6,087	427,274	532,389
Other Assets	-	-	-	-	124,850	124,850
Non-Current Assets:						
Capital Assets (not depreciated)	156,891	-	-	-	-	156,891
Capital Assets (net of accumulated depreciation)	5,551,732	124,378	613,323	540,895	9,409,251	16,239,579
<b>TOTAL ASSETS</b>	<b>\$ 7,146,393</b>	<b>\$ 2,012,667</b>	<b>\$ 2,650,237</b>	<b>\$ 1,854,029</b>	<b>\$ 16,882,813</b>	<b>\$ 30,546,139</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts Payable	\$ 1,072	\$ 141,494	\$ 13,597	\$ 10,768	\$ 469,080	\$ 636,011
Due to Governmental Units	58,451	-	-	-	-	58,451
Accrued Liabilities	62,157	114,568	22	31,953	1,265,994	1,474,694
Deferred Revenue	62,430	2,774	-	-	-	65,204
ACH Payables	-	83,374	-	-	-	83,374
Other Liabilities	-	26,881	-	-	-	26,881
Notes Payable	-	-	19,800	-	247,451	267,251
Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	125,000	276,358	401,358
Non-Current Liabilities:						
Advances	145,756	-	-	-	-	145,756
Notes Payable	-	-	138,600	-	472,665	611,265
Bonds Payable	-	-	-	120,000	4,714,882	4,834,882
Compensated Absences	219,168	266,952	-	4,933	-	491,053
<b>TOTAL LIABILITIES</b>	<b>549,034</b>	<b>636,043</b>	<b>172,019</b>	<b>292,654</b>	<b>7,446,430</b>	<b>9,096,180</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, net of related debt	5,708,624	124,378	613,323	295,895	3,791,523	10,533,743
Restricted for County Road	888,735	-	-	-	-	888,735
Restricted by Donors	-	-	-	-	106,613	106,613
Unrestricted	-	1,252,246	1,864,895	1,265,480	5,538,247	9,920,868
<b>TOTAL NET ASSETS</b>	<b>6,597,359</b>	<b>1,376,624</b>	<b>2,478,218</b>	<b>1,561,375</b>	<b>9,436,383</b>	<b>21,449,959</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,146,393</b>	<b>\$ 2,012,667</b>	<b>\$ 2,650,237</b>	<b>\$ 1,854,029</b>	<b>\$ 16,882,813</b>	<b>\$ 30,546,139</b>



# County of Luce, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	LMAS District Health Department	Economic Development Corporation	Housing Commission	Helen Newberry Joy Hospital	
<b>Road Commission:</b>										
Public Works	\$ 3,023,225	\$ 758,769	\$ 2,888,152	\$ -	\$ 623,696	\$ -	\$ -	\$ -	\$ -	\$ 623,696
<b>LMAS District Health Dept.:</b>										
Health & Welfare	6,623,422	4,390,555	2,096,386	-	-	(136,481)	-	-	-	(136,481)
<b>Economic Development Corporation:</b>										
Economic Development	489,734	279,645	-	-	-	-	(210,089)	-	-	(210,089)
<b>Housing Commission:</b>										
Public Housing	623,763	117,028	493,209	-	-	-	-	(13,526)	-	(13,526)
<b>Helen Newberry Joy Hospital:</b>										
Health & Welfare	24,033,237	23,406,574	-	-	-	-	-	-	(626,663)	(626,663)
Total Component Units	<u>\$ 34,793,381</u>	<u>\$ 28,952,571</u>	<u>\$ 5,477,747</u>	<u>\$ -</u>	<u>623,696</u>	<u>(136,481)</u>	<u>(210,089)</u>	<u>(13,526)</u>	<u>(626,663)</u>	<u>(363,063)</u>
<b>General Revenues:</b>										
Investment Earnings					32,993	12,094	27,324	16,138	79,257	167,806
Gain (Loss) on Equipment Disposal					400	-	-	-	41,000	41,400
Other					-	71,487	17,865	1,228,901	-	1,318,253
<b>Total General Revenues</b>					<u>33,393</u>	<u>83,581</u>	<u>45,189</u>	<u>1,245,039</u>	<u>120,257</u>	<u>1,527,459</u>
Change in Net Assets					657,089	(52,900)	(164,900)	1,231,513	(506,406)	1,164,396
Net Assets - Beginning					<u>5,940,270</u>	<u>1,429,524</u>	<u>2,643,118</u>	<u>329,862</u>	<u>9,942,789</u>	<u>20,285,563</u>
<b>Net Assets - Ending</b>					<u>\$ 6,597,359</u>	<u>\$ 1,376,624</u>	<u>\$ 2,478,218</u>	<u>\$ 1,561,375</u>	<u>\$ 9,436,383</u>	<u>\$ 21,449,959</u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Luce, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

**A – Reporting Entity**

The County of Luce was incorporated under the laws of the State of Michigan in 1887 and operates under an elected Commission form of government and provides services to its more than 7,024 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Luce (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Component Units:**

The County of Luce has considered all potential units in evaluating how to define the County for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 as amended by Statement No. 39 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the County and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the County's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Blended Component Units**

These funds are included in the Primary Government financial statements. The County of Luce reports no funds that qualify as blended component units.

**Discretely Presented Component Units**

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Luce County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

Luce County Road Commission  
P.O. Box 401  
Newberry, MI 49868

Luce-Mackinac-Alger-Schoolcraft (LMAS) District Health Department - The members of the governing body of the LMAS District Health Department are jointly appointed by the Luce, Mackinac, Alger, and Schoolcraft Counties' Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities. The Health Department financial statement disclosures contained herein are presented as of and for the year ended September 30, 2006.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

LMAS District Health Department  
P.O. Box 398  
Newberry, MI 49868

Luce County Housing Commission - The Commission is a legally separate entity whose five-member board is appointed by the County of Luce's Board of Commissioners. The Housing Commission provides subsidized housing financial assistance to lower income families.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Luce County Housing Commission  
550 W. Victory  
Newberry, MI 49868

Luce County Economic Development Corporation - The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in the County of Luce. The nine-member board of the County of Luce Economic Development Corporation is appointed by the County of Luce's Board of Commissioners.

Helen Newberry Joy Hospital - The Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation. The Hospital provides inpatient, outpatient, and long-term care services primarily to the citizens of the County of Luce.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Helen Newberry Joy Hospital  
502 W. Harrie Street  
Newberry, MI 49868

**Condensed Financial Statements**

The financial statements present condensed financial statements of each of the five discretely presented component units.

**Jointly Governed Organization**

Joint Venture Community Health Services - Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Alger, Chippewa, Marquette, Delta and Luce created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Pathways to Healthy Living. Under such provisions, Pathways to Healthy Living became a separate legal entity from the counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective counties. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. The County appropriated \$25,000 for the Authority in 2006.

The separately issued financial statements can be obtained from the administrative office of the Board at:

Pathways to Healthy Living  
200 West Spring Street  
Marquette, MI 49855

**Multi-County Agency**

The County participates jointly in the operation of the Department of Human Services Agency with thirteen other Counties in the Upper Peninsula (a component unit of Delta County). All financial operations of the Agency are recorded at the Delta County location. The County appropriated \$6,000 for the Agency in 2006.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County reports the following major governmental funds:

**General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Ambulance Fund**

This fund accounts for the operation of the Luce County Ambulance.

**Airport Fund**

This fund accounts for the operation of the Luce County Airport.

**Revenue Sharing Reserve Fund**

This fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

**Hospital Bond – Debt Service Fund**

This fund accounts for the repayments of principal and interest on Hospital Bonds.

**2005 Tax Revolving**

This fund accounts for the collection of 2004 delinquent taxes.

**Tax Revolving Reserve**

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts Receivable – Ambulance – The accounts receivable is net of an allowance for doubtful accounts of \$126,165.

Taxes Receivable – Current or Property Taxes – The County of Luce property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Luce as of the preceding December 31st.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Although the County of Luce 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Luce's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2005 taxable valuation of the County of Luce totaled \$154,782,031, on which ad valorem taxes levied consisted of 3.6627 mills for the County operating, .9817 mills for Ambulance, .4759 mills for Parks and Recreation, .4759 mills for Extension, .3961 mills for Animal Control, 2.0 mills for Hospital Bond Debt Service, and .4759 mills for Airport Operating. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as revenue.

The July 1, 2006 taxable valuation of the County of Luce totaled \$163,374,240, on which ad valorem taxes levied consisted of 3.5734 mills for the General Fund, this amount is recognized in the General Fund.

The Revenue Sharing Reserve Fund utilized \$271,250 of the winter general fund operating levy to fund revenue sharing.

All other revenue items are considered to be available only when cash is received by the government.

Inventories and Prepaid Items – Inventories are valued at cost using the first in/first out (FIFO) method. The Airport fund maintains an inventory balance for fuel. The costs of all other governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method except for road equipment which uses sum-of-the-years'-digit method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Equipment	3 to 10 years
Furniture and Fixtures	3 to 7 years
Land Improvements	15 to 30 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Vested Benefits Payable – County General Employees - The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the department head, some carry-over may be authorized.

The County's employment policies provide for sick leave benefits to be earned at the rate of one day per month. When employees separate from employment with the County, sheriff department employees are entitled to half of their accumulated sick time and government center employees are entitled to a maximum of 15 days.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash, Investments, and Equivalents - Unrestricted	\$ 1,688,419	\$ 393,677	\$ 2,082,096	\$ 744,157	\$ 5,421,778
Cash, Investments, and Equivalents - Restricted	<u>432,668</u>	<u>-</u>	<u>432,668</u>	<u>-</u>	<u>915,681</u>
Total	<u>\$ 2,121,087</u>	<u>\$ 393,677</u>	<u>\$ 2,514,764</u>	<u>\$ 744,157</u>	<u>\$ 6,337,459</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 2,314,616	\$ 744,157	\$ 6,336,719
Petty Cash and Cash on Hand	930	-	740
Investments	<u>199,218</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,514,764</u>	<u>\$ 744,157</u>	<u>\$ 6,337,459</u>

	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Investments: Commercial Paper	\$ 199,218	\$ 199,218	\$ -	\$ -	\$ -
Total Investments	<u>\$ 199,218</u>	<u>\$ 199,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cash is restricted in the Governmental Activities in the amount of \$432,668 for payment of principal and interest on hospital bonds. Cash is restricted in the Component Units for the Helen Newberry Joy Hospital limited use.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial credit risk.* Investment custodial credit risk, is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$199,218 investments, \$199,218 are not in the name of the County, but in the name of the agent. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$2,372,626 of the County's bank balance of \$2,876,586 was exposed to credit risk because it was uninsured and uncollateralized.

As of year end, \$2,861,968 of the County's discretely comprised component units bank balance of \$6,089,549 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,595,595	\$ -	\$ (21,653)	\$ 1,573,942
<i>Capital assets being depreciated:</i>				
Buildings	3,266,000	-	-	3,266,000
Building improvements	16,850	37,202	-	54,052
Equipment	714,319	36,467	-	750,786
Furniture and fixtures	29,934	-	-	29,934
Vehicles	813,746	19,688	(5,000)	828,434
Land improvements	<u>443,401</u>	<u>235,000</u>	<u>-</u>	<u>678,401</u>
Subtotal	<u>5,284,250</u>	<u>328,357</u>	<u>(5,000)</u>	<u>5,607,607</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(2,591,491)	(30,981)	-	(2,622,472)
Building improvements	(1,311)	(5,433)	-	(6,744)
Equipment	(402,407)	(88,366)	-	(490,773)
Furniture and fixtures	(29,934)	-	-	(29,934)
Vehicles	(572,802)	(74,478)	4,250	(643,030)
Land improvements	<u>(22,257)</u>	<u>(29,560)</u>	<u>-</u>	<u>(51,817)</u>
Subtotal	<u>(3,620,202)</u>	<u>(228,818)</u>	<u>4,250</u>	<u>(3,844,770)</u>
Net Capital Assets Being Depreciated	<u>1,664,048</u>	<u>99,539</u>	<u>(750)</u>	<u>1,762,837</u>
Governmental Activity Capital Assets - Net of Depreciation	<u>\$ 3,259,643</u>	<u>\$ 99,539</u>	<u>\$ (22,403)</u>	<u>\$ 3,336,779</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 19,945
Public Safety	27,313
Public Works	86,967
Health and Welfare	72,217
Recreation and Culture	<u>22,376</u>
Total Governmental Activities	<u>\$ 228,818</u>

Capital asset activity of the Luce County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 39,182	\$ -	\$ -	\$ 39,182
Land Improvements	<u>117,709</u>	<u>-</u>	<u>-</u>	<u>117,709</u>
Subtotal	<u>156,891</u>	<u>-</u>	<u>-</u>	<u>156,891</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	38,460	-	-	38,460
Buildings	862,484	-	-	862,484
Road Equipment	4,347,756	43,593	(19,440)	4,371,909
Shop Equipment	234,331	-	-	234,331
Office Equipment	44,197	-	-	44,197
Engineers' Equipment	19,390	-	-	19,390
Infrastructure - Bridge	1,023,420	-	-	1,023,420
Infrastructure - Roads	<u>3,428,735</u>	<u>1,113,337</u>	<u>-</u>	<u>4,542,072</u>
Subtotal	<u>9,998,773</u>	<u>1,156,930</u>	<u>(19,440)</u>	<u>11,136,263</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(14,578)	(1,281)	-	(15,859)
Buildings	(296,117)	(29,168)	-	(325,285)
Road Equipment	(3,890,617)	(187,902)	19,440	(4,059,079)
Shop Equipment	(187,289)	(10,264)	-	(197,553)
Office Equipment	(39,841)	(1,600)	-	(41,441)
Engineers' Equipment	(19,366)	(24)	-	(19,390)
Infrastructure - Bridges	(51,949)	-	-	(51,949)
Infrastructure - Roads	<u>(655,443)</u>	<u>(218,532)</u>	<u>-</u>	<u>(873,975)</u>
Subtotal	<u>(5,155,200)</u>	<u>(448,771)</u>	<u>19,440</u>	<u>(5,584,531)</u>
Net Capital Assets Being Depreciated	<u>4,843,573</u>	<u>708,159</u>	<u>-</u>	<u>5,551,732</u>
Total Net Capital Assets	<u>\$ 5,000,464</u>	<u>\$ 708,159</u>	<u>\$ -</u>	<u>\$ 5,708,623</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to the following programs:

Net equipment Expense	
Direct Equipment	\$ 187,902
Indirect Equipment	32,664
Net Administrative Expenses	9,673
Infrastructure Depreciation Expense	<u>218,532</u>
Total Depreciation Expense	<u>\$ 448,771</u>

Capital asset activity of the Luce-Mackinac-Alger-Schoolcraft District Health Department for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Furniture and equipment	\$ 266,765	\$ 7,632	\$ -	\$ 274,397
Building improvements	<u>168,635</u>	<u>6,528</u>	<u>-</u>	<u>175,163</u>
Subtotal	<u>435,400</u>	<u>14,160</u>	<u>-</u>	<u>449,560</u>
<i>Less accumulated depreciation for:</i>				
Furniture and equipment	(249,354)	(10,807)	-	(260,161)
Building improvements	<u>(54,366)</u>	<u>(10,655)</u>	<u>-</u>	<u>(65,021)</u>
Subtotal	<u>(303,720)</u>	<u>(21,462)</u>	<u>-</u>	<u>(325,182)</u>
Net Capital Assets Being Depreciated	<u>\$ 131,680</u>	<u>\$ (7,302)</u>	<u>\$ -</u>	<u>\$ 124,378</u>
Depreciation Expense:				
Health and Welfare			<u>\$ 21,462</u>	



**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital asset activity of the Economic Development Corporation for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 635,082	\$ 25,701	\$ -	\$ 660,783
Equipment	6,600	-	-	6,600
Land improvements	<u>96,500</u>	<u>-</u>	<u>-</u>	<u>96,500</u>
Subtotal	<u>738,182</u>	<u>25,701</u>	<u>-</u>	<u>763,883</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(86,441)	(21,455)	-	(107,896)
Equipment	(6,600)	-	-	(6,600)
Land improvements	<u>(29,631)</u>	<u>(6,433)</u>	<u>-</u>	<u>(36,064)</u>
Subtotal	<u>(122,672)</u>	<u>(27,888)</u>	<u>-</u>	<u>(150,560)</u>
Net Capital Assets Being Depreciated	<u>\$ 615,510</u>	<u>\$ (2,187)</u>	<u>\$ -</u>	<u>\$ 613,323</u>

Depreciation Expense:

Economic Development Corporation \$ 27,888

Capital assets activity of the Luce County Housing Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Land and improvements	\$ 42,965	\$ -	\$ -	\$ 42,965
Building improvements	1,763,574	-	(4,544)	1,759,030
Equipment	<u>73,961</u>	<u>4,814</u>	<u>(4,609)</u>	<u>74,166</u>
Subtotal	1,880,500	4,814	(9,153)	1,876,161
<i>Less accumulated depreciation:</i>				
Accumulated depreciation	<u>(1,285,072)</u>	<u>(59,177)</u>	<u>8,983</u>	<u>(1,335,266)</u>
Net capital assets being depreciated	<u>\$ 595,428</u>	<u>\$ (54,363)</u>	<u>\$ (170)</u>	<u>\$ 540,895</u>

Depreciation Expense:

Public Housing \$ 59,177

**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital assets activity of the Helen Newberry Joy Hospital for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Retirements</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Land improvements	\$ 467,736	\$ -	\$ -	\$ 467,736
Building	11,169,985	15,596	-	11,185,581
Equipment	<u>9,571,583</u>	<u>531,399</u>	<u>(476,700)</u>	<u>9,626,282</u>
Total	<u>21,209,304</u>	<u>546,995</u>	<u>(476,700)</u>	<u>21,279,599</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(62,857)	(10,242)	-	(73,099)
Building	(4,152,490)	(542,721)	-	(4,695,211)
Equipment	<u>(6,779,086)</u>	<u>(799,652)</u>	<u>476,700</u>	<u>(7,102,038)</u>
Total accumulated depreciation	<u>(10,994,433)</u>	<u>(1,352,615)</u>	<u>476,700</u>	<u>(11,870,348)</u>
Net capital assets being depreciated	<u>\$ 10,214,871</u>	<u>\$ (805,620)</u>	<u>\$ -</u>	<u>\$ 9,409,251</u>
Depreciation Expense:				
Health and Welfare			<u>\$ 1,352,615</u>	

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County of Luce reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

	DUE TO OTHER FUNDS			
	General Fund	Revenue Sharing Reserve	All Others	Totals
Revenue Sharing Reserve	\$ 115,759	\$ -	\$ -	\$ 115,759
Hospital Debt	-	147,770	-	147,770
All Others	<u>29,055</u>	<u>16,313</u>	<u>2,599</u>	<u>47,967</u>
Total	<u>\$ 144,814</u>	<u>\$ 164,083</u>	<u>\$ 2,599</u>	<u>\$ 311,496</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		TRANSFERS (OUT)								
TRANSFERS IN		General Fund	Ambulance	Revenue Sharing Reserve	Airport	Hospital Bond	Tax Revolving Reserve	Nonmajor Governmental	Nonmajor Enterprise	Total
	General Fund	\$ -	\$ -	\$ 115,759	\$ 5,000	\$ 153,253	\$ 60,000	\$ 19,000	\$ -	\$ 353,012
	Tax Revolving Reserve	-	-	-	-	-	-	-	57,665	57,665
	Airport	10,863	-	-	-	-	-	-	-	10,863
	Nonmajor Governmental	128,104	64,901	-	-	-	2,577	16,229	-	211,811
	Nonmajor Enterprise	681	-	-	-	-	-	-	-	681
	Total	\$ 139,648	\$ 64,901	\$ 115,759	\$ 5,000	\$ 153,253	\$ 62,577	\$ 35,229	\$ 57,665	\$ 634,032

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - LEASES**

Capital Leases – The County leases vehicles and other equipment under capital leases with yearly lease payments ranging from \$2,920 to \$9,144 including interest rates ranging from 4.9% to 11%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

The following is a schedule, by year, of future minimum payments required under the leases, together with their present value as of December 31, 2006:

2007	27,406
2008	9,483
2009	<u>6,993</u>
Total minimum lease payments	43,882
Less: Amount representing interest	<u>(4,304)</u>
Present value of minimum lease payments	<u>\$ 39,578</u>
Interest expense was charged to the following programs:	
Governmental Activities:	
Public Safety	\$ 1,622
Recreation and Culture	<u>2,493</u>
Total Governmental Activities	<u>\$ 4,115</u>

The District Health Department currently leases space for four units under signed, noncancelable, lease agreements.

Future annual obligations of the four leases are summarized below:

Year	Premises			
	St. Ignace Mackinac County	Newberry Luce County	Munising Alger County	Manistique Schoolcraft County
2007	\$ 27,219	\$ 91,200	\$ 61,440	\$ 52,149
2008	27,219	91,200	61,440	13,037
2009	27,219	91,200	61,440	-
2010	27,219	91,200	61,440	-
2011	24,950	60,800	61,440	-
2012-2015	-	-	245,760	-
	This lease ends Aug. 2011	This lease ends May 2011	This lease ends Sept. 2015	This lease ends Dec. 2007

**NOTE 6 - LEASES (Continued)**

The Hospital is obligated under certain operating leases, primarily medical and equipment. Total rent expense under leases was \$267,027 for the year ended December 31, 2006.

In 2006, the Hospital committed to an option to lease approximately \$380,000 in additional equipment which would increase monthly lease payments by \$7,250. The option expires in March 2007, with the potential for an extension.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

<u>Years Ending December 31</u>	<u>Amount</u>
2007	\$ 258,961
2008	258,961
2009	252,314
2010	<u>44,799</u>
Total	<u>\$ 815,035</u>

**NOTE 7 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>							
Indirect County Obligations:							
Act 185 Bonds for DPW							
Sewer No. 1	5%	2016	\$ 343,000	\$ -	\$ 30,000	\$ 313,000	\$ 31,000
Installment Loans:							
Parks & Recreation	5%	2011	46,706	-	7,151	39,555	7,509
General Obligation Bonds:							
1997 Unlimited Tax	5.1%-7.6%	2006	190,000	-	190,000	-	-
Series 2002-B, Limited Tax, Capital Improvement Bonds	4.45%	2009	<u>250,000</u>	<u>-</u>	<u>55,000</u>	<u>195,000</u>	<u>60,000</u>
Total Governmental Activities			<u>\$ 829,706</u>	<u>\$ -</u>	<u>\$ 282,151</u>	<u>\$ 547,555</u>	<u>\$ 98,509</u>

**NOTE 7 - LONG-TERM DEBT (Continued)**

Interest expense was charged to the following programs:

Governmental Activities:	
Public Works	\$ 15,900
Health and Welfare	15,637
Recreation and Culture	<u>616</u>
Total Governmental Activities	<u>\$ 32,153</u>

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>							
Limited Tax Notes*							
Series 2005	Variable	2006	\$ 180,166	\$ -	\$ 180,166	\$ -	\$ -
Series 2006	Variable	2007	<u>-</u>	<u>375,000</u>	<u>128,331</u>	<u>246,669</u>	<u>246,669</u>
Total Business-Type Activities			<u>\$ 180,166</u>	<u>\$ 375,000</u>	<u>\$ 308,497</u>	<u>\$ 246,669</u>	<u>\$ 246,669</u>

\*Interest payments vary according to payment dates and interest rates. Because payment dates have not been prescheduled and interest is variable, outstanding interest is not determinable at this time.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	98,509	25,628
2008	103,884	21,032
2009	109,278	16,195
2010	39,692	11,116
2011	38,192	9,131
2012-2016	<u>158,000</u>	<u>19,900</u>
Total	<u>\$ 547,555</u>	<u>\$ 103,002</u>

Other Information on Long-Term Debt

The General Obligation Tax Notes are issued to finance the Delinquent Tax Revolving Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

The County has irrevocably pledged its full faith and credit as collateral for the DPW Sewer No. 1 bonds issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance sewage system construction projects which are administered by the County of Luce Department of Public Works for local municipalities. Payments by the Village of Newberry, McMillan and Pentland Townships, to the County, in accordance with contractual agreements, provide the money required to meet the principal and interest on these bonds.

**NOTE 7 - LONG-TERM DEBT (Continued)**

The County has irrevocably pledged its full faith and credit as collateral for the County of Luce Building Authority Bonds, Series 1978 issued in accordance with the provisions of Public Act 31, of 1948, as amended, for the purpose of construction of the Senior Citizens Housing Facility for the Luce County Housing Commission. The Luce County Housing Commission leases the property from the Luce County Building Authority for the period which is the lesser of fifty years or until the present value of the minimum lease payments are paid.

The County has irrevocably pledged its full faith and credit as collateral for the County of Luce Building Authority Bonds, Series 1997 issued in accordance with the provisions of Public Act 31 of 1948, as amended, for the purpose of renovation of the Helen Newberry, Joy Hospital.

Compensated Absences

Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Accrued vacation benefits are earned in varying amounts depending on the number of years of service up to a maximum number of days depending on the department. Sick leave, which is applicable only to union employees, may be accumulated up to 90 days. Upon termination, up to 50% of the unused sick leave up to a maximum of 45 days may be paid. Current portions of accumulated sick and vacation pay are not material.

A summary of vested benefits payable at December 31, 2006 is as follows:

Vacation	\$	29,520
Sick Leave		<u>48,580</u>
TOTALS	\$	<u>78,100</u>

***ROAD COMMISSION***

The following is a summary of pertinent information concerning the County Road Commission's long-term debt.

	Balances 01/01/06	Additions (Reductions)	Balances 12/31/06
Vested Employee Benefits Payable			
Vacation Benefits	\$ 69,538	\$ 736	\$ 70,274
Sick Leave Benefits	<u>144,312</u>	<u>4,582</u>	<u>148,894</u>
Total	<u>\$ 213,850</u>	<u>\$ 5,318</u>	<u>\$ 219,168</u>

**NOTE 7 - LONG-TERM DEBT (Continued)**Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. New employees are eligible for vacation benefits after 1 year of service, and vacation benefits accrue on a biweekly pay period basis thereafter. Employees may accumulate up to a maximum of 2 years vacation benefits.

Sick Leave Benefits

Road Commission employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with an unlimited accumulation. Employees hired prior to July 1, 1981, upon voluntary termination with ten working days notice, retirement, or death of an employee in the service of the Road Commission, shall be paid for 100% of any accumulated unused sick leave up to a maximum of 160 days.

Employees hired after July 1, 1981 will receive payment for ½ of their unused accumulated sick leave up to a maximum of 60 days, upon retirement only.

***HEALTH DEPARTMENT***

The District Health Department has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2006, the accumulated vacation and sick leave benefits were as follows:

	Account Balance 10/01/05	Additions	Deletions	Account Balance 09/30/06
Vacation	\$ 152,559	\$ 15,967	\$ -	\$ 168,526
Sick	<u>98,662</u>	<u>-</u>	<u>236</u>	<u>98,426</u>
TOTAL	<u>\$ 251,221</u>	<u>\$ 15,967</u>	<u>\$ 236</u>	<u>\$ 266,952</u>

Vacation and Sick Leave Policy - Vacations are earned in varying amounts depending on the number of years of service and may be accumulated up to a maximum of 30 days.

Sick leave is paid at fifty percent of the employee's unused sick leave, up to a maximum of 480 hours, upon retirement, separation, or death after ten years of service. Payment shall be made at the employee's current rate of pay.



**NOTE 7 - LONG-TERM DEBT (Continued)**

***LUCE COUNTY HOUSING COMMISSION***

During the year ended December 31, 2006, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$ 360,000	\$ -	\$ (115,000)	\$ 245,000	\$ 125,000
Vested sick pay	<u>6,493</u>	<u>-</u>	<u>(1,560)</u>	<u>4,933</u>	<u>-</u>
Totals	<u>\$ 366,493</u>	<u>\$ -</u>	<u>\$ (116,560)</u>	<u>\$ 249,933</u>	<u>\$ 125,000</u>

Long-term obligations at December 31, 2006 are comprised of the following amounts:

1.	1978 Capital Building Bonds due in annual installments of \$10,000 to \$100,000 through May 1, 2007 with interest at 7.25%	\$ 100,000
2.	2002 Rehabilitation Bonds due in annual installments of \$5,000 to \$50,000 through July 1, 2010 with interest at 4.45%	<u>145,000</u>
		245,000
3.	Vested sick pay	<u>4,933</u>
	Total long-term obligations	<u>\$ 249,933</u>

The annual requirements to amortize long-term obligations outstanding as of December 31, 2006 are as follows:

<u>Year Ended December 31</u>	<u>Bond Issues</u>		<u>Vested Sick Pay</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2007	125,000	10,077	-	135,077
2008	30,000	5,340	-	35,340
2009	40,000	4,006	-	44,006
2010	<u>50,000</u>	<u>2,224</u>	<u>4,933</u>	<u>57,157</u>
Total	<u>\$ 245,000</u>	<u>\$ 21,647</u>	<u>\$ 4,933</u>	<u>\$ 271,580</u>

Interest charged to expenses totaled \$16,453.

**NOTE 7 - LONG-TERM DEBT (Continued)**

***HELEN NEWBERRY JOY HOSPITAL***

Long-term liability activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Long-term debt payable:					
Series 2001A	\$ 5,102,052	\$ -	\$ (180,805)	\$ 4,921,247	\$ 206,365
Series 2001B	162,013	-	(92,020)	69,993	69,993
Equipment note	<u>957,387</u>	<u>-</u>	<u>(237,271)</u>	<u>720,116</u>	<u>247,451</u>
Total long-term debt	<u>\$ 6,221,452</u>	<u>\$ -</u>	<u>\$ (510,096)</u>	<u>\$ 5,711,356</u>	<u>\$ 523,809</u>

The bonds payable are summarized as follows:

- Revenue bonds payable to a financial institution, Healthcare Facilities Series 2001A Bond Agreement, with monthly payment ranging from \$16,000 to \$39,400 plus interest, with a portion fixed at a rate of 5.61 percent and a portion variable that was 6.18 percent at December 31, 2006. These bonds are collateralized by substantially all assets of the Hospital.
- Revenue bond payable to a financial institution, Healthcare Facilities Series 2001B Bond Agreement, with monthly payments ranging from \$8,800 to \$9,500 plus interest at a variable rate, which was 6.18 percent at December 31, 2006. These bonds are collateralized by substantially all assets of the Hospital.
- Note payable to a financial institution, related to acquisition of equipment, with monthly payments ranging from \$12,600 to \$22,700, plus interest at 4.2 percent. The note payable is collateralized by substantially all assets of the Hospital.

The following is a schedule by years of principal and interest as of December 31, 2006:

<u>Years Ending December 31</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 523,809	\$ 299,280
2008	476,420	276,094
2009	445,297	252,422
2010	244,094	234,756
2011	258,148	220,705
2012-2016	1,531,495	862,756
2017-2021	2,026,054	368,196
2022-2025	<u>206,039</u>	<u>3,870</u>
Total payments	<u>\$ 5,711,356</u>	<u>\$ 2,518,079</u>

**NOTE 8 - RISK MANAGEMENT**

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its vehicle, property, and general liability insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**NOTE 9 - CONTINGENT LIABILITIES**

The County and component units have received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the County at December 31, 2006.

**LMAS District Health Department:**

Medicare - District Health services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. Certain District Health services are paid based on a cost reimbursement methodology. The Health Department reports such activity through the submission of its annual cost reports which are subject to audit by the Medicare fiscal intermediary. The Health Department's classification of clients under the Medicare program and the appropriateness of their admission and visits are subject to a review by Medicare.

**Economic Development Corporation:**

The Luce County Economic Development Corporation (EDC) is a guarantor for a local business loan with a local bank. The agreement provides that the EDC will guarantee payments on the loan agreement. The bank may agree to release the guarantee upon the borrower reaching a principal balance of \$100,000. The outstanding balance of the loan at December 31, 2006 is \$250,000.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

***GENERAL GOVERNMENT AND HOUSING***

Description of Plan and Plan Assets - The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2005.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General	20.97%
Housing Commission	12.66%

Annual Pension Cost - During the year ended December 31, 2006, the County's contributions totaling \$201,046 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31 follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 1,972,826	\$ 2,131,543	\$ 2,296,859
Actuarial Accrued Liability	3,071,468	3,343,489	4,275,499
Unfunded AAL	1,098,642	1,211,946	1,978,640
Funded Ratio	64%	64%	54%
Covered Payroll	907,429	991,194	974,952
UAAL as a Percentage of Covered Payroll	121%	122%	203%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 146,863	100%	0
2005	154,284	100%	0
2006	201,046	100%	0

***ROAD COMMISSION***

**Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)**

**Plan Description** – The Luce County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Local Government Unit. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan.

**Funding Policy** – The obligation to contribute and maintain the system for these employees was established by negotiation with the Luce County Road Commission's competitive bargaining units and requires a contribution based on gross wages by County Road Commission only.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at actuarially determined rates; the current rates were 16.62% for the engineer/manager and 22.27% for general employees at December 31, 2005.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Annual Pension Costs – For year ended 2006, the Luce County Road Commission's pension cost of \$192,468 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2004, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 3,896,539	\$ 4,013,444	\$ 4,120,682
Actuarial Accrued Liability	6,032,626	6,331,712	6,728,902
Unfunded AAL	2,136,087	2,318,268	2,608,220
Funded Ratio	65%	63%	61%
Covered Payroll	868,162	860,551	840,471
UAAL as a Percentage of Covered Payroll	246%	269%	310%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 182,261	100%	0
2004	172,847	100%	0
2005	192,468	100%	0

***LMAS DISTRICT HEALTH DEPARTMENT***

Plan Description - The LMAS District Health Department contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

All full-time employees of the LMAS District Health Department are eligible to participate in the System. Benefits vest after six years of service. LMAS employees listed after February 1997 who retire at or after age 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 1.7 percent times the member's 5 year final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and County ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the District Health Department's personnel policy, which requires employees to contribute -0- percent to the plan. The District Health Department is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2005 is as follows:

General	2.37%
Employee 2/97	7.45%

Annual Pension Cost – During the year ended September 30, 2006, the District Health Department's contributions totaling \$173,810 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31 is as follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 6,113,081	\$ 6,387,158	\$ 6,716,767
Actuarial Accrued Liability	5,823,673	6,004,879	6,547,577
Unfunded AAL	(289,408)	(382,279)	(169,190)
Funded Ratio	105%	106%	103%
Covered Payroll	2,344,678	2,481,348	2,705,760
UAAL as a Percentage of Covered Payroll	0%	0%	0%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	43,144	100%	0
2005	125,648	100%	0
2006	173,810	100%	0

***HELEN NEWBERRY JOY HOSPITAL***

Plan Description – The Hospital sponsors both a defined benefit plan and a defined contribution plan. The Hospital participates in the Michigan Municipal Employees Retirement System (MMERS), and agent multiple-employer defined benefit pension plan that covers qualifying full-time employees of the Hospital who did not migrate to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing Michigan, 48917.

Funding Policy – Benefit provisions of the MMERS, and employer and employee obligations to contribute, are outlined in Act No. 47 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior service cost over a 40-year period, net of amortization of investment gains over a 10-year period.

Annual Pension Cost – The Hospital's contributions to the plan amounted to \$330,486, \$331,457, and \$306,036 in 2006, 2005 and 2004, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2005.



**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information as of December 31 is as follows:

	2003	2004	2005
Actuarial Value of Assets	\$ 9,161,523	\$ 9,669,849	\$ 10,196,660
Actuarial Accrued Liability (entry age)	11,230,615	11,483,243	12,066,198
Unfunded Actuarial Accrued Liability (UAAL)	2,069,092	1,813,394	1,869,538
Funded Ratio	82%	84%	85%
Covered Payroll	3,031,204	2,984,024	2,883,499
UAAL as a Percentage of Covered Payroll	68%	61%	65%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 306,036	100%	0
2005	331,457	100%	0
2006	330,486	100%	0

Defined Contribution Plan – The Hospital sponsors a defined contribution plan covering all employees hired after June 1, 2001, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 2 percent of their gross earnings and the Hospital contributes 7 percent of gross earning for participants. The Hospital's contribution totaled \$503,568 for the year ended December 31, 2006.

**NOTE 11 - FUND BALANCE/RETAINED EARNINGS**

Reservations

Fund Balance reservations are summarized as follows:

**Special Revenue Funds**

Revenue Sharing Reserve – reserved for funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

\$ 515,445

Total Special Revenue Funds

\$ 515,445

**NOTE 11 - FUND BALANCE/RETAINED EARNINGS (Continued)**

**Debt Service Funds**

Hospital Bond Debt Service – reserved for payment of principal and interest on hospital bonds	\$ 484,898
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Total Debt Service Funds	<u>\$ 484,898</u>
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Designations

Fund balance designations, all of which are designations for subsequent years' expenditures, are summarized as follows:

**Capital Project Funds**

Crisp Point Lighthouse	\$ 23,736
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Total Capital Project Funds	<u>\$ 23,736</u>
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**NOTE 12 - INTERLOCAL AGREEMENT – REVOLVING LOAN FUND**

The Luce County EDC and McMillan Township are parties to an interlocal agreement to administer a revolving loan fund and grant program. The loans (or grants) are issued to qualified local businesses to promote economic development in the Luce County area. McMillan Township pays the Luce County EDC an annual fee to handle the administrative duties of the revolving loan fund such as loan processing, maintaining loan files, and payment processing. The agreement provides that all grant or loan applications must be presented to the EDC Board for review with final approval by both the EDC and Township Boards. The agreement also allows either board to approve a loan rejected by the other, provided there are sufficient funds in that government's control to finance the entire project.

Pursuant to this agreement, the cash and loan balances are jointly held by the EDC and the Township. The balances are considered "reuse" monies according to the terms of the original grant agreements from the U.S. Department of Commerce which are now fully closed out. A summary of the activity of the revolving loan fund for the year ended December 31, 2006 is as follows:

Balance, January 1	\$ 1,622,422
Loans granted during period	151,618
Less: Repayments	<u>(187,157)</u>
Subtotal	1,586,883
Less: allowance for loan losses	<u>(174,557)</u>
Balance, December 31	<u>\$ 1,412,326</u>

**NOTE 13 - POST EMPLOYMENT BENEFITS**

Component Unit – Road Commission

In addition to the pension described in Note 10, the Luce County Road Commission provides post-employment health care and cancer insurance benefits to all retired employees and/or their spouse and life insurance benefits for the retiree only. The benefits are provided in accordance with Article 34 (a), (b), and (c) of the union agreement, which includes the provision that upon a retiree and/or spouse's eligibility for Medicare, the Road Commission agrees to pay for the supplemental health insurance coverage for both.

For employees hired prior to September 1, 1998, the Road Commission agrees to pay the premium for each employee and spouse at time of retirement. Upon eligibility for Medicare, the Employer agrees to pay for Blue Cross/Blue Shield supplemental coverage for both the retiree and his spouse.

For all employees hired after September 1, 1998, the Road Commission agrees to pay 4% of the premium for each employee at time of retirement for each year of service said employee has spent with the Road Commission. Said employee may elect to have coverage provided to his spouse at the employee's expense.

In order for an employee to be eligible to health care benefits at retirement, the employee must retire from active service with the Road Commission at age 60 with 10 years of service or at age 55 with 25 years of service.

During September 2006, the Road Commission amended its post-employment benefit plan by providing a lump sum payment to each retiree upon attainment of age 65. Twenty two retirees qualified for this benefit amounting to \$80,000. Additionally, 6 retirees and spouses continue to be eligible for continuing benefits between the ages of 55 and 65 which amounted to \$77,872. Total costs of provided benefits for all 29 retirees through August 2006 was \$179,314.

## **Required Supplementary Information**

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**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,200,172	\$ 1,087,421	\$ 1,202,700	\$ 115,279
Licenses & Permits	17,749	13,190	11,014	(2,176)
Federal Sources	120,384	107,022	111,909	4,887
State Sources	101,321	105,773	105,773	-
Local Sources	20,323	20,244	20,244	-
Charges for Services	260,492	263,060	250,286	(12,774)
Interest & Rentals	27,400	54,437	54,437	-
Fines & Forfeitures	5,305	15,454	15,454	-
Other Revenue	744	2,583	15,838	13,255
TOTAL REVENUES	1,753,890	1,669,184	1,787,655	118,471
EXPENDITURES:				
Legislative:				
Board of Commissioners	54,277	55,213	55,212	1
Judicial:				
Circuit Court	62,882	58,421	58,417	4
District Court	179,317	167,590	167,586	4
Friend of the Court	109,985	118,118	118,119	(1)
Jury Commission	2,161	2,283	2,282	1
Probate Court	62,096	62,785	62,782	3
Juvenile Court	56,072	69,868	69,868	-
Court Appointed Appellate Attorney	59,500	33,454	33,452	2
Total Judicial	532,013	512,519	512,506	13
General Government:				
Elections	9,878	9,848	9,848	-
Clerk/Register of Deeds	176,951	185,227	185,229	(2)
Equalization	93,051	98,390	98,390	-
Prosecuting Attorney	103,170	100,255	99,845	410
Treasurer	93,067	91,921	91,920	1
Computer	20,000	21,072	21,074	(2)
Buildings & Grounds	122,700	172,821	170,633	2,188
Record Copying	1,800	1,844	1,844	-
Total General Government	620,617	681,378	678,783	2,595

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	149,566	167,880	169,631	(1,751)
Liquor Law Enforcement	3,641	3,516	-	3,516
Zoning Commission	46,543	36,414	41,342	(4,928)
Jail	155,817	168,527	168,527	-
Building/Housing Commission	2,300	2,667	2,667	-
Total Public Safety	357,867	379,004	382,167	(3,163)
Health & Welfare:				
Medical Examiner	6,000	11,502	11,503	(1)
Total Health & Welfare	6,000	11,502	11,503	(1)
Other Expenditures:				
Appropriations	69,606	81,795	89,985	(8,190)
Employee Benefits	2,800	2,575	2,574	1
Audit	30,580	34,779	34,779	-
Insurance & Bonds	62,104	44,090	61,414	(17,324)
Postage	4,576	2,362	2,362	-
Contingencies	59,719	50	50	-
Total Other Expenditures	229,385	165,651	191,164	(25,513)
TOTAL EXPENDITURES	1,800,159	1,805,267	1,831,335	(26,068)
EXCESS OF REVENUES OVER EXPENDITURES	(46,269)	(136,083)	(43,680)	92,403
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	134,647	353,012	353,012	-
Operating Transfers Out	(88,378)	(143,883)	(139,648)	4,235
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 73,046	169,684	\$ 96,638
FUND BALANCE, JANUARY 1			511,112	
FUND BALANCE, DECEMBER 31			\$ 680,796	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Ambulance Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 160,409	\$ 157,795	\$ 157,795	\$ -
Charges for Services	210,000	240,199	240,199	-
Interest & Rentals	7,889	14,202	14,202	-
Other Revenue	500	1,551	1,551	-
TOTAL REVENUES	378,798	413,747	413,747	-
EXPENDITURES:				
Health and Welfare	342,573	293,584	293,584	-
TOTAL EXPENDITURES	342,573	293,584	293,584	-
EXCESS OF REVENUES OVER EXPENDITURES	36,225	120,163	120,163	-
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(64,901)	(64,901)	(64,901)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (28,676)	\$ 55,262	55,262	\$ -
FUND BALANCE, JANUARY 1			669,204	
FUND BALANCE, DECEMBER 31			\$ 724,466	

Required Supplementary Information  
Budgetary Comparison Schedule  
Revenue Sharing Reserve Fund  
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 271,250	\$ 271,250	\$ 271,250	\$ -
TOTAL REVENUES	271,250	271,250	271,250	-
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(115,647)	(115,759)	(115,759)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 155,603	\$ 155,491	155,491	\$ -
FUND BALANCE, JANUARY 1			359,954	
FUND BALANCE, DECEMBER 31			\$ 515,445	



**Required Supplementary Information  
Budgetary Comparison Schedule  
Airport Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 77,761	\$ 76,475	\$ 76,475	\$ -
Federal Sources	188,000	188,000	188,000	-
State Sources	41,125	41,125	41,125	-
Local Sources	5,875	5,875	5,875	-
Charges for Services	30,950	53,622	53,622	-
Interest & Rentals	940	3,060	3,060	-
Other Revenue	-	2,714	7,714	5,000
<b>TOTAL REVENUES</b>	<b>344,651</b>	<b>370,871</b>	<b>375,871</b>	<b>5,000</b>
EXPENDITURES:				
Public Works	104,727	128,114	128,964	(850)
Capital Outlay	235,000	235,000	235,000	-
<b>TOTAL EXPENDITURES</b>	<b>339,727</b>	<b>363,114</b>	<b>363,964</b>	<b>(850)</b>
<b>EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>4,924</b>	<b>7,757</b>	<b>11,907</b>	<b>4,150</b>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	10,863	10,863	-
Operating Transfers Out	-	(5,000)	(5,000)	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 4,924</b>	<b>\$ 13,620</b>	<b>17,770</b>	<b>\$ 4,150</b>
<b>FUND BALANCE, JANUARY 1</b>			<b>7,410</b>	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 25,180</b>	

## **Other Supplementary Information**

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# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	Family Counseling	ORV Enforcement Grant	Snowmobile Enforcement Grant	Parks and Recreation	Luce County Park & Campground	Coop Extension Service	Friend of the Court	Tax Revolving Reserve	Animal Control
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 605	\$ 3,735	\$ 3,543	\$ 16,620	\$ 10,052	\$ 18,133	\$ 27,290	\$ 5,514	\$ 20,275
Receivables:									
Accounts	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	75,997	-	75,997	-	-	63,258
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	3,050	-	-	-	543	-	-
<b>TOTAL ASSETS</b>	<u>\$ 605</u>	<u>\$ 3,735</u>	<u>\$ 6,593</u>	<u>\$ 92,617</u>	<u>\$ 10,052</u>	<u>\$ 94,130</u>	<u>\$ 27,833</u>	<u>\$ 5,514</u>	<u>\$ 83,533</u>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	1,547	955	28	1,097	-	-	1,350
Accrued Liabilities	-	-	135	904	-	898	-	-	1,524
Deferred Revenue	-	-	-	75,997	-	75,997	-	-	63,258
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>1,682</u>	<u>77,856</u>	<u>28</u>	<u>77,992</u>	<u>-</u>	<u>-</u>	<u>66,132</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	-	-	-	-	-	-	-	-	-
Undesignated	605	3,735	4,911	14,761	10,024	16,138	27,833	5,514	17,401
<b>TOTAL FUND BALANCES</b>	<u>605</u>	<u>3,735</u>	<u>4,911</u>	<u>14,761</u>	<u>10,024</u>	<u>16,138</u>	<u>27,833</u>	<u>5,514</u>	<u>17,401</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 605</u>	<u>\$ 3,735</u>	<u>\$ 6,593</u>	<u>\$ 92,617</u>	<u>\$ 10,052</u>	<u>\$ 94,130</u>	<u>\$ 27,833</u>	<u>\$ 5,514</u>	<u>\$ 83,533</u>

# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	Luce County Master Plan	Michigan Coastal Mgmt Grant	Remonu- mentation	Register of Deeds Automation	Emergency Management	Youth Alcohol Enforcement	Fingerprint System	Local Corrections Officers Training	911
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 5,411	\$ 1,875	\$ 71	\$ 11,917	\$ 7,073	\$ 325	\$ -	\$ 2,674	\$ 196,053
Receivables:									
Accounts	-	-	-	-	-	-	-	-	26,634
Taxes	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	43,756	-	12,350	9,498	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,411</u>	<u>\$ 1,875</u>	<u>\$ 43,827</u>	<u>\$ 11,917</u>	<u>\$ 19,423</u>	<u>\$ 9,823</u>	<u>\$ -</u>	<u>\$ 2,674</u>	<u>\$ 222,687</u>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 2,417	\$ 6,777	\$ -	\$ -	\$ -
Accounts Payable	-	-	25,527	70	12,140	3,019	-	-	1,838
Accrued Liabilities	-	-	-	-	258	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>25,527</u>	<u>70</u>	<u>14,815</u>	<u>9,796</u>	<u>-</u>	<u>-</u>	<u>1,838</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	-	-	-	-	-	-	-	-	-
Undesignated	5,411	1,875	18,300	11,847	4,608	27	-	2,674	220,849
<b>TOTAL FUND BALANCES</b>	<u>5,411</u>	<u>1,875</u>	<u>18,300</u>	<u>11,847</u>	<u>4,608</u>	<u>27</u>	<u>-</u>	<u>2,674</u>	<u>220,849</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,411</u>	<u>\$ 1,875</u>	<u>\$ 43,827</u>	<u>\$ 11,917</u>	<u>\$ 19,423</u>	<u>\$ 9,823</u>	<u>\$ -</u>	<u>\$ 2,674</u>	<u>\$ 222,687</u>

# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds								
	Law Library	Housing Grant/ Loan	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	CDBG Housing Rehabilitation	Child Care - Probate	Veterans Trust
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 3,671	\$ 57,259	\$ 1,137	\$ 3,924	\$ 423	\$ 1,626	\$ -	\$ 400	\$ 492
Receivables:									
Accounts	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	20,142	7,911	1,576	-	1,500	-
<b>TOTAL ASSETS</b>	<u>\$ 3,671</u>	<u>\$ 57,259</u>	<u>\$ 1,137</u>	<u>\$ 24,066</u>	<u>\$ 8,334</u>	<u>\$ 3,202</u>	<u>\$ -</u>	<u>\$ 1,900</u>	<u>\$ 492</u>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ -	\$ 22,930	\$ 4,818	\$ 2,599	\$ -	\$ 1,900	\$ -
Accounts Payable	-	-	-	-	21	172	-	-	-
Accrued Liabilities	-	-	-	1,136	529	431	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,066</u>	<u>5,368</u>	<u>3,202</u>	<u>-</u>	<u>1,900</u>	<u>-</u>
<b>FUND BALANCES:</b>									
Unreserved:									
Designated	-	-	-	-	-	-	-	-	-
Undesignated	3,671	57,259	1,137	-	2,966	-	-	-	492
<b>TOTAL FUND BALANCES</b>	<u>3,671</u>	<u>57,259</u>	<u>1,137</u>	<u>-</u>	<u>2,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 3,671</u>	<u>\$ 57,259</u>	<u>\$ 1,137</u>	<u>\$ 24,066</u>	<u>\$ 8,334</u>	<u>\$ 3,202</u>	<u>\$ -</u>	<u>\$ 1,900</u>	<u>\$ 492</u>

# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds			Debt Service			Capital Project Fund	
	Drug Court	Drunk Driving Caseload Assist.	Substance Abuse	County Park Debt Retirement	Ambulance Building Bond Debt Service	Debt Ret.- Sewage Debt Service	Crisp Point Lighthouse Project	Totals
<b>ASSETS:</b>								
Cash & Investments - Unrestricted	\$ 4,641	\$ 17,597	\$ -	\$ -	\$ -	\$ -	\$ 23,736	\$ 446,072
Receivables:								
Accounts	-	-	-	-	-	-	-	26,634
Taxes	-	-	-	-	-	-	-	215,252
Due from Other Funds	-	-	2,599	-	-	-	-	2,599
Due from Governmental Units	-	-	-	-	-	-	-	100,326
<b>TOTAL ASSETS</b>	<u>\$ 4,641</u>	<u>\$ 17,597</u>	<u>\$ 2,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,736</u>	<u>\$ 790,883</u>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,441
Accounts Payable	-	-	-	-	-	-	-	47,764
Accrued Liabilities	-	-	-	-	-	-	-	5,815
Deferred Revenue	-	-	-	-	-	-	-	215,252
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,272</u>
<b>FUND BALANCES:</b>								
Unreserved:								
Designated	-	-	-	-	-	-	23,736	23,736
Undesignated	4,641	17,597	2,599	-	-	-	-	456,875
<b>TOTAL FUND BALANCES</b>	<u>4,641</u>	<u>17,597</u>	<u>2,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,736</u>	<u>480,611</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,641</u>	<u>\$ 17,597</u>	<u>\$ 2,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,736</u>	<u>\$ 790,883</u>

# County of Luce, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	Family Counseling	ORV Enforcement Grant	Snowmobile Enforcement Grant	Parks and Recreation	Luce County Park & Campground	Coop Extension Service	Friend of the Court	Tax Revolving Reserve	Animal Control
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ 76,475	\$ -	\$ 76,475	\$ -	\$ -	\$ 63,645
Licenses & Permits	-	-	-	-	-	-	-	-	1,114
Federal Sources	-	-	-	-	-	-	-	-	-
State Sources	-	3,058	18,008	-	-	-	1,085	-	-
Local Sources	-	-	2,000	-	-	-	-	-	1,000
Charges for Services	690	-	-	7,567	38,801	-	1,639	-	9,007
Interest & Rentals	14	-	-	1,276	481	2,326	1,267	-	1,929
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	2,500	-	103	438	-	-	-	2,784
<b>TOTAL REVENUES</b>	<b>704</b>	<b>5,558</b>	<b>20,008</b>	<b>85,421</b>	<b>39,720</b>	<b>78,801</b>	<b>3,991</b>	<b>-</b>	<b>79,479</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	2,700	-	-
General Government	-	-	-	-	-	-	-	1,128	-
Public Safety	-	3,273	19,804	-	-	-	-	-	71,635
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	203	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-	-
Recreational and Cultural	-	-	-	75,494	21,579	79,631	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	3,557
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>203</b>	<b>3,273</b>	<b>19,804</b>	<b>75,494</b>	<b>21,579</b>	<b>79,631</b>	<b>2,700</b>	<b>1,128</b>	<b>75,192</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>501</b>	<b>2,285</b>	<b>204</b>	<b>9,927</b>	<b>18,141</b>	<b>(830)</b>	<b>1,291</b>	<b>(1,128)</b>	<b>4,287</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	-	700	-	-	-	2,577	-
Operating Transfers Out	-	-	-	-	(9,583)	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>501</b>	<b>2,285</b>	<b>204</b>	<b>10,627</b>	<b>8,558</b>	<b>(830)</b>	<b>1,291</b>	<b>1,449</b>	<b>4,287</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>104</b>	<b>1,450</b>	<b>4,707</b>	<b>4,134</b>	<b>1,466</b>	<b>16,968</b>	<b>26,542</b>	<b>4,065</b>	<b>13,114</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 605</b>	<b>\$ 3,735</b>	<b>\$ 4,911</b>	<b>\$ 14,761</b>	<b>\$ 10,024</b>	<b>\$ 16,138</b>	<b>\$ 27,833</b>	<b>\$ 5,514</b>	<b>\$ 17,401</b>

# County of Luce, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	Luce County Master Plan	Michigan Coastal Mgmt Grant	Remonu- mentation	Register of Deeds Automation	Emergency Management	Youth Alcohol Enforcement	Fingerprint System	Corrections Officers Training	911
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-	-
Federal Sources	-	10,370	-	-	52,244	-	-	-	-
State Sources	-	-	72,927	-	-	9,498	15,000	-	91,310
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	10,130	-	-	-	1,930	72,079
Interest & Rentals	397	-	-	819	236	-	-	-	8,405
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	23,601	-	-	-	-	-	-	325
<b>TOTAL REVENUES</b>	<b>397</b>	<b>33,971</b>	<b>72,927</b>	<b>10,949</b>	<b>52,480</b>	<b>9,498</b>	<b>15,000</b>	<b>1,930</b>	<b>172,119</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	10,629	-	-	-	-	-
Public Safety	-	-	-	-	57,569	9,471	15,000	771	72,870
Public Works	-	-	58,527	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Community/Economic Development	-	-	-	-	-	-	-	-	-
Recreational and Cultural	-	32,096	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>32,096</b>	<b>58,527</b>	<b>10,629</b>	<b>57,569</b>	<b>9,471</b>	<b>15,000</b>	<b>771</b>	<b>72,870</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>397</b>	<b>1,875</b>	<b>14,400</b>	<b>320</b>	<b>(5,089)</b>	<b>27</b>	<b>-</b>	<b>1,159</b>	<b>99,249</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	-	-	7,673	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	(19,000)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>397</b>	<b>1,875</b>	<b>14,400</b>	<b>320</b>	<b>2,584</b>	<b>27</b>	<b>-</b>	<b>1,159</b>	<b>80,249</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>5,014</b>	<b>-</b>	<b>3,900</b>	<b>11,527</b>	<b>2,024</b>	<b>-</b>	<b>-</b>	<b>1,515</b>	<b>140,600</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 5,411</b>	<b>\$ 1,875</b>	<b>\$ 18,300</b>	<b>\$ 11,847</b>	<b>\$ 4,608</b>	<b>\$ 27</b>	<b>\$ -</b>	<b>\$ 2,674</b>	<b>\$ 220,849</b>



# County of Luce, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds								
	Law Library	Housing Grant/ Loan	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	CDBG Housing Rehabilitation	Child Care - Probate	Veterans Trust
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses & Permits	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	-	-	67,912	-	-
State Sources	-	-	713	36,293	16,945	11,776	-	-	2,004
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	9,596	-	-	-	-	-	2,756	-
Interest & Rentals	-	2,742	-	-	-	-	-	-	-
Fines and Forfeitures	2,000	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,000</b>	<b>12,338</b>	<b>713</b>	<b>36,293</b>	<b>16,945</b>	<b>11,776</b>	<b>67,912</b>	<b>2,756</b>	<b>2,004</b>
<b>EXPENDITURES:</b>									
Judicial	180	-	-	-	16,814	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	541	36,291	-	12,258	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	114,499	1,794
Community/Economic Development	-	14	-	-	-	-	67,912	-	-
Recreational and Cultural	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>180</b>	<b>14</b>	<b>541</b>	<b>36,291</b>	<b>16,814</b>	<b>12,258</b>	<b>67,912</b>	<b>114,499</b>	<b>1,794</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,820</b>	<b>12,324</b>	<b>172</b>	<b>2</b>	<b>131</b>	<b>(482)</b>	<b>-</b>	<b>(111,743)</b>	<b>210</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	-	1,765	1,337	-	-	116,629	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,820</b>	<b>12,324</b>	<b>172</b>	<b>1,767</b>	<b>1,468</b>	<b>(482)</b>	<b>-</b>	<b>4,886</b>	<b>210</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,851</b>	<b>44,935</b>	<b>965</b>	<b>(1,767)</b>	<b>1,498</b>	<b>482</b>	<b>-</b>	<b>(4,886)</b>	<b>282</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 3,671</b>	<b>\$ 57,259</b>	<b>\$ 1,137</b>	<b>\$ -</b>	<b>\$ 2,966</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 492</b>

# County of Luce, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds			Debt Service Funds			Capital Project Fund	
	Drug Court	Drunk Driving Caseload Assist.	Substance Abuse	County Park Debt Retirement	Ambulance Building Bond Debt Service	Debt Ret.- Sewage Debt Service	Crisp Point Lighthouse Project	Totals
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,595
Licenses & Permits	-	-	-	-	-	-	-	1,114
Federal Sources	-	-	-	-	-	-	-	130,526
State Sources	-	2,929	-	-	-	-	5,255	286,801
Local Sources	-	-	-	-	-	46,400	3,983	53,383
Charges for Services	1,115	-	-	-	-	-	-	155,310
Interest & Rentals	-	1,068	-	-	-	-	949	21,909
Fines and Forfeitures	-	-	-	-	-	-	-	2,000
Other Revenue	-	-	-	-	-	-	-	29,751
<b>TOTAL REVENUES</b>	<b>1,115</b>	<b>3,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,400</b>	<b>10,187</b>	<b>897,389</b>
<b>EXPENDITURES:</b>								
Judicial	3,120	-	-	-	-	-	-	22,814
General Government	-	-	-	-	-	-	-	11,757
Public Safety	-	-	-	-	-	-	-	299,483
Public Works	-	-	-	-	-	-	-	58,527
Health and Welfare	-	-	-	-	-	-	-	116,496
Community/Economic Development	-	-	-	-	-	-	-	67,926
Recreational and Cultural	-	-	-	-	-	-	-	208,800
Capital Outlay	-	-	-	-	-	-	25,701	29,258
Debt Service	-	-	-	9,583	64,901	46,400	-	120,884
<b>TOTAL EXPENDITURES</b>	<b>3,120</b>	<b>-</b>	<b>-</b>	<b>9,583</b>	<b>64,901</b>	<b>46,400</b>	<b>25,701</b>	<b>935,945</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,005)</b>	<b>3,997</b>	<b>-</b>	<b>(9,583)</b>	<b>(64,901)</b>	<b>-</b>	<b>(15,514)</b>	<b>(38,556)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	6,646	-	-	9,583	64,901	-	-	211,811
Operating Transfers Out	-	(6,646)	-	-	-	-	-	(35,229)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>4,641</b>	<b>(2,649)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,514)</b>	<b>138,026</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>-</b>	<b>20,246</b>	<b>2,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,250</b>	<b>342,585</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 4,641</b>	<b>\$ 17,597</b>	<b>\$ 2,599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,736</b>	<b>\$ 480,611</b>

# County of Luce, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2006

	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>ASSETS:</b>								
Cash & Investments - Unrestricted	\$ -	\$ 51,888	\$ 63,880	\$ 21,124	\$ 5,705	\$ 68	\$ 876	\$ 143,541
Taxes Receivable	-	761	1,501	27,857	-	-	-	30,119
Accrued Interest	-	285	563	9,193	-	-	-	10,041
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 52,934</u>	<u>\$ 65,944</u>	<u>\$ 58,174</u>	<u>\$ 5,705</u>	<u>\$ 68</u>	<u>\$ 876</u>	<u>\$ 183,701</u>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ 1,204	\$ 1,218	\$ 1,286	\$ 2,781	\$ 37	\$ -	\$ 6,526
Accounts Payable	-	-	-	-	133	31	-	164
Accrued Liabilities	-	-	-	-	337	-	-	337
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,204</u>	<u>1,218</u>	<u>1,286</u>	<u>3,251</u>	<u>68</u>	<u>-</u>	<u>7,027</u>
<b>NET ASSETS:</b>								
Unrestricted	-	51,730	64,726	56,888	2,454	-	876	176,674
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>51,730</u>	<u>64,726</u>	<u>56,888</u>	<u>2,454</u>	<u>-</u>	<u>876</u>	<u>176,674</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ -</u>	<u>\$ 52,934</u>	<u>\$ 65,944</u>	<u>\$ 58,174</u>	<u>\$ 5,705</u>	<u>\$ 68</u>	<u>\$ 876</u>	<u>\$ 183,701</u>

# County of Luce, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ 105	\$ 97	\$ 1,254	\$ 9,997	\$ 37,453	\$ 3,118	\$ 187	\$ 52,211
State Sources	-	-	-	-	-	-	8,554	8,554
Interest & Rentals	1,257	-	-	14,305	-	-	-	15,562
Other Revenue	-	-	-	-	-	-	5,497	5,497
<b>TOTAL OPERATING REVENUES</b>	<b>1,362</b>	<b>97</b>	<b>1,254</b>	<b>24,302</b>	<b>37,453</b>	<b>3,118</b>	<b>14,238</b>	<b>81,824</b>
<b>OPERATING EXPENSES:</b>								
Personal Services	-	-	-	-	35,270	3,801	-	39,071
Utilities	-	-	-	-	858	-	199	1,057
Repair & Maintenance	-	-	-	-	-	-	9,274	9,274
Other Supplies & Expenses	-	410	108	970	1,918	-	8,632	12,038
<b>Total Operating Expenses</b>	<b>-</b>	<b>410</b>	<b>108</b>	<b>970</b>	<b>38,046</b>	<b>3,801</b>	<b>18,105</b>	<b>61,440</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,362</b>	<b>(313)</b>	<b>1,146</b>	<b>23,332</b>	<b>(593)</b>	<b>(683)</b>	<b>(3,867)</b>	<b>20,384</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest on Deposits	986	1,135	1,356	555	119	-	-	4,151
Interest Expense	-	-	-	(2,465)	-	-	-	(2,465)
<b>Total Non-operating Revenues (Expenses)</b>	<b>986</b>	<b>1,135</b>	<b>1,356</b>	<b>(1,910)</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>1,686</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>2,348</b>	<b>822</b>	<b>2,502</b>	<b>21,422</b>	<b>(474)</b>	<b>(683)</b>	<b>(3,867)</b>	<b>22,070</b>
Operating Transfers In	-	-	-	-	-	681	-	681
Operating Transfers Out	(57,665)	-	-	-	-	-	-	(57,665)
<b>CHANGES IN NET ASSETS</b>	<b>(55,317)</b>	<b>822</b>	<b>2,502</b>	<b>21,422</b>	<b>(474)</b>	<b>(2)</b>	<b>(3,867)</b>	<b>(34,914)</b>
<b>NET ASSETS, JANUARY 1</b>	<b>55,317</b>	<b>50,908</b>	<b>62,224</b>	<b>35,466</b>	<b>2,928</b>	<b>2</b>	<b>4,743</b>	<b>211,588</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 51,730</b>	<b>\$ 64,726</b>	<b>\$ 56,888</b>	<b>\$ 2,454</b>	<b>\$ -</b>	<b>\$ 876</b>	<b>\$ 176,674</b>

# County of Luce, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2006

	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	2004 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers	\$ 5,190	\$ 1,243	\$ 26,229	\$ 171,598	\$ 37,453	\$ 3,118	\$ 14,238	\$ 259,069
Payments to Suppliers	-	(410)	(108)	(970)	(161)	-	(18,105)	(19,754)
Payments to Employees	-	-	-	-	(35,270)	(3,770)	-	(39,040)
Internal Activity - Payments/Receipts with Other Funds	(1,237)	-	-	971	-	37	-	(229)
Net Cash Provided (Used) by Operating Activities	3,953	833	26,121	171,599	2,022	(615)	(3,867)	200,046
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Principal Payments	-	-	-	(180,166)	-	-	-	(180,166)
Interest Expense	-	-	-	(2,465)	-	-	-	(2,465)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	(182,631)	-	-	-	(182,631)
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Operating Transfers In	-	-	-	-	-	681	-	681
Operating Transfers Out	(57,665)	-	-	-	-	-	-	(57,665)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(57,665)	-	-	-	-	681	-	(56,984)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest Income	986	1,135	1,356	555	119	-	-	4,151
Net Cash Provided (Used) by Investing Activities	986	1,135	1,356	555	119	-	-	4,151
Net Increase (Decrease) in Cash and Cash Equivalents	(52,726)	1,968	27,477	(10,477)	2,141	66	(3,867)	(35,418)
Balances - Beginning of the Year	52,726	49,920	36,403	31,601	3,564	2	4,743	178,959
Balances - End of the Year	\$ -	\$ 51,888	\$ 63,880	\$ 21,124	\$ 5,705	\$ 68	\$ 876	\$ 143,541
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>								
Operating Income (Loss)	\$ 1,362	\$ (313)	\$ 1,146	\$ 23,332	\$ (593)	\$ (683)	\$ (3,867)	\$ 20,384
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
Taxes Receivable	2,265	536	18,602	139,730	-	-	-	161,133
Accrued Interest Receivable	1,563	610	6,373	7,566	-	-	-	16,112
Accounts Payable	-	-	-	-	96	31	-	127
Due to Other Funds	(1,237)	-	-	971	2,781	37	-	2,552
Accrued Liabilities	-	-	-	-	(262)	-	-	(262)
Net Cash Provided (Used) by Operating Activities	\$ 3,953	\$ 833	\$ 26,121	\$ 171,599	\$ 2,022	\$ (615)	\$ (3,867)	\$ 200,046

## **Additional Information**

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**COUNTY OF LUCE, MICHIGAN**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
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**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

Our report on our audit of the basic financial statements of the County of Luce, Michigan, as of and for the year ended December 31, 2006, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

*Anderson Tackman & Co., PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

May 17, 2007



**NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:**

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2006, the County has the following debt issues which apply to SEC Rule 15c2-12:

1 \$1,400,000 County of Luce 1996 General Obligation Unlimited Tax Bonds.

**NOTE 2 - TABLES:**

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

**A. State Equalized Valuation:**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending	Ad Valorem Taxable Value	Total Taxable Value	Percent Increase Taxable Value	Total SEV	Percent Increase Over Prior Year
1998	1999	2000	104,303,202	104,303,202	5.7	146,014,375	13.3
1999	2000	2001	111,412,105	111,412,105	6.8	163,307,526	11.8
2000	2001	2002	121,116,858	121,116,858	8.7	180,884,361	10.8
2001	2002	2003	128,876,179	128,876,179	6.5	197,567,606	9.2
2002	2003	2004	135,830,650	135,830,650	5.4	216,451,147	9.6
2003	2004	2005	145,403,181	145,403,181	7.0	241,975,566	11.8
2004	2005	2006	153,782,031	154,782,031	6.5	257,757,066	6.5
2005	2006	2007	163,374,240	163,374,240	5.6	251,799,025	(2.3)

Per Capita Total SEV for the Fiscal Year Ending December 31, 2006 (1). \$34,450.

(1) Based on the County's population estimate of 7,024.

Source: County of Luce

**B. Tax Rates - Five Year History (1):**

	Year of Levy (December 1)				
	2006	2005	2004	2003	2002
County Operating:					
July 1 Levy	3.5734	1.8313	-	-	-
December 1 Levy	1.8409	3.6627	5.5965	5.6859	5.7713
Ambulance	.9674	.9817	.9484	.9636	.9781
Parks & Recreation	.4689	.4759	.4848	.4926	.5000
Extension	.4689	.4759	.4848	.4926	.5000
Hospital Bond Debt Service	-	2.0000	2.0000	2.0000	2.0000
Animal Control	.3903	.3961	.4035	.4100	.4010
Airport	.4689	.4759	.4848	.4926	.5000
Total	8.1787	10.2995	10.4028	10.5373	10.6504

(1) Per \$1,000 of SEV. Excludes taxes levied by underlying taxing units.

Source: County of Luce

**NOTE 2 - TABLES: (Continued)**

**C. County Tax Collections Record-Five Year History:**

Levied December 1	County Tax Levy December 1 (1)	Collections to March 1 Year Following Levy		Collections to to August 1 (2)	
2000	571,226	502,959	88.05	571,226	100
2001	702,851	624,783	88.89	702,851	100
2002	744,153	662,331	89.00	744,153	100
2003	722,591	673,448	93.19	722,591	100
2004	814,563	727,270	89.28	814,563	100
2005	834,465	756,354	90.64	834,465	100

- (1) The County's fiscal year begins January 1. Taxes are due the previous July 1 and December 1 and are returned as delinquent the following March 1. Taxes on real property remaining delinquent after 26 months from the date of delinquency are sold at a tax sale.
- (2) Includes payments from the Fund; unpaid personal property taxes which are less than 1% of the total levy are immaterial.

Source: Luce County

**D. Major Ad Valorem Taxpayers:**

<u>Taxpayer</u>	<u>Principal Product or Services</u>	<u>2006 Taxable Value</u>	<u>% of 2006 Taxable Value</u>
Louisiana Pacific	Wood Products	\$ 6,786,338	4.15%
Michigan – DNR	State Government	2,724,900	1.67
Goldthorpe Enterprises	Motels and Land	1,935,529	1.18
Cloverland Electric Co-op	Utility	1,852,690	1.13
Zellar's Inc.	Restaurant, Motel, & Trucking	1,201,315	.74
I.D. Dillon, Inc. (Days Inn)	Hotel	916,200	.56
Joseph Rahilly (Rahilly IGA)	Grocery	719,069	.44
Pike's	Distributing Company	650,784	.40
Barret, Co.	Restaurant, Gift Shop, Mechanical Repair	638,190	.39
Pickelman's	Restaurant, Bar and Gas Stations	637,117	.39
		<u>\$ 18,062,132</u>	<u>11.05</u>

Source: Luce County

**NOTE 2 - TABLES: (Continued)**

**E. Constitutional Debt Limitations:**

Article VII, Section 6 of the State Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond 10% of its assessed valuation." The Bonds are included within this debt limitation.

Statement of Legal Debt Margin (as of December 31, 2006)

2006 State Equalized Valuation	\$ 251,799,025
Legal Debt Limit (10% of SEV)	25,179,903
Debt Outstanding	<u>999,669</u>
Margin of Additional Debt Which Could Legally be Incurred Subject to Debt Limit	<u>\$ 24,180,234</u>
Percentage of Debt Outstanding to 2006 SEV	.40%

Source: Municipal Advisory Council of Michigan and First of Michigan Corporation

**F. Debt Statement:** (as of December 31, 2006, including the notes)

Direct Debt of County	Gross	Self-Supporting Of Portion Paid Directly by Benefitted Municipalities	Net	Net Debt	
				Per Capita	% of SEV
GO Tax Notes	\$ 246,669	\$ 246,669	\$ -	\$ -	-\$
Sewer	313,000	313,000	-	-	-
Go Ambulance Notes	195,000	195,000	-	-	-
Go Housing Notes	145,000	145,000	-	-	-
Building Authority	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>14.24</u>	<u>.040</u>
Total Direct debt	<u>\$ 999,669</u>	<u>\$ 899,669</u>	<u>100,000</u>	<u>14.24</u>	<u>.040%</u>

\* No County credit pledged.

County Overlapping Debt (1)

Village	1,771,853	252.26	.704
Schools	854,028	121.59	.339
Townships	<u>131,147</u>	<u>18.67</u>	<u>.052</u>
Total Net Overlapping Debt	<u>2,757,028</u>	<u>392.52</u>	<u>1.095</u>
Total Direct and Net Overlapping Debt	<u>\$ 2,857,028</u>	<u>\$ 406.76</u>	<u>1.135%</u>

(1) Overlapping Debt is the portion of other public debt for which a County taxpayer is liable in addition to the Direct Debt of the County.

Source: Municipal Advisory Council of Michigan and First of Michigan Corporation

**NOTE 2 - TABLES: (Continued)**

**G. Debt Service Schedule:**

Refer to Note 7, Long-Term Debt in the Notes to Financial Statements.

**H. Labor Contracts:**

Of the County's employees, 25% are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and part-time employees, and the expiration dates of the present contracts.

Organization	Number of Employees as of December 31, 2006	Contract Expiration Date
AFSCME Local #2430 (Sheriff's Department)	4	12/31/06
AFSCME Local #2430 (District Court)	2	12/31/06 *
AFSCME Local #2430 (General Employees)	10	12/31/06
Non-Union	47	N/A
Total	63	

Source: County of Luce

\*Contract has an economic re-opener clause for 01/01/05 and 01/01/06.

**I. Future Financing:**

The County Treasurer anticipates the General Limited Obligation Tax Notes will be issued in the next six months to finance the purchase of delinquent taxes in the amount of \$375,000. The County Treasurer reports that there are no other bond or note financing planned to be issued by the County within the next six months.

**J. Vacation and Sick Leave:**

Refer to Note 7, Long-Term Debt in the Notes to Financial Statements.

**K. Pension Plan:**

Refer to Note 10, Employee Retirement and Benefit Systems in the Notes to Financial Statements.

**L. Installment Purchase and Lease Obligations:**

Refer to Note 6, Leases in the Notes to Financial Statements.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Members of the Board  
County of Luce, Michigan  
Newberry, MI 49868

We have audited the basic financial statements of the County of Luce, Michigan for the year ended December 31, 2006, and have issued our reports thereon dated May 17, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Luce's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Luce's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Luce's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Luce's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Luce's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Luce are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Luce during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Luce County that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Luce's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Luce's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We also noted other material matters involving compliance and internal control over financial reporting, which we have reported in a separate letter in accordance with *Government Auditing Standards*.

#### **Airport (prior year)**

The airport does not maintain a receipting system. To improve documentation of monies received at the airport, it is recommended a duplicate receipting system be maintained by the airport – giving a copy of each receipt to the customer.

Status: See current year comment.

#### **Accounts Receivable – (Prior Year)**

It was noted during our testing of accounts receivable that fund 292 has a receivable of \$1,500, which has not been adjusted for several years. It is recommended the County determine if the amount is collectible and if not to adjust the account to zero.

### **Nonprofit Expenditures – (Prior Year)**

The State of Michigan prohibits contributions to nonprofit organizations where there is no contract for specific services. The Department of Treasury has reviewed specific transactions at some local units of government related to 2% funds received from Tribal governments for distributions to nonprofit organizations. The Trust and Agency fund of the County indicates amounts were distributed to nonprofit organizations. The Board should implement procedures to prevent potential unlawful expenditures in this regard.

### **Ambulance Receivables**

The County was unable to provide an aging report for ambulance receivables, which is necessary to determine the proper uncollectible allowance. This is, in part, due to the fact that the Ambulance accounting duties were not performed on either a regular or consistent basis throughout the year.

### **Payroll**

During the test of Controls on Payroll, it was determined that eight personnel files did not contain current pay-rate information. It is recommended that current pay-rate information be maintained with pay-roll records in each personnel file.

### **Disbursements**

During the test of controls on disbursements, it was noted that a check was requested by, approved by, and issued to, the same individual. When a single individual is authorized to do this, distributions become highly vulnerable to missappropriation and/or abuse. It is recommended that all vouchers and other requests for monies be examined to insure that approval is granted by an individual who is outside the authority of the requesting party.

### **Personal Property Taxes**

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

### **Fraud Policy**

With the implementation of statement of Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The board does not have a “fraud policy” which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.



**GASB Statement 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions**

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the County of Luce required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 will impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

**Conclusion**

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson Tackman & Company, PLC**  
**Certified Public Accountants**

May 17, 2007